

Creative Frugality (and Its Limits)

Editors' note: Before you read this section, we want to issue a disclaimer. We do not in the least believe that nonprofits should be cash starved or that they function at their best that way. We have written often about the profound faultiness of the idea that nonprofits must be poor to be pure—but given that many of us are not blessed with unlimited, unrestricted funds, most of us are on a constant lookout for cash savings. What we want to push you on a bit is to add to that mindset the notion that there are sometimes ways to improve our work even as we reduce fixed costs—ways to streamline without harming the work or abridging the faith and expectations of our stakeholders. Some of these ways are relatively exclusive to nonprofits and some may have to do with smart uses of technology—and some need capital to seed the shift.

So please do not read this section as an admonition to cut into your powerful nonprofit muscle but rather as encouragement to review your operating assumptions in order to make yourself yet more powerful in the delivery of your mission.







A Penny Saved: Creative Ways to Thrive

by Beth Bird

Resourcefulness
and ingenuity often
require looking
inward to find those
hidden gems of
cost savings or
revenue within
an organization.

WHEN THE RECESSION HIT IN 2008, individual donors started to pull back contributions. Nonprofits were forced to initiate cost-saving measures. Then came the slashing of government grants. Again, nonprofits were forced to find more ways to save costs.

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Drastic revenue loss has devastated many nonprofits over the last seven years. While this has forced some to downsize, others have pushed back in such imaginative ways that they not only managed to save money but also furthered their mission and their programs at the same time. For them, it has not just been the simple fulfillment of the adage, "A penny saved is a penny earned." Rather, it has been, "A penny saved is a penny, goodwill, program expansion, and mission fulfillment earned."

How are they doing it?

Generating New Energy

When in 2011 the Frank Lloyd Wright Foundation conducted an energy audit, the organization learned it was using more energy than necessary on its Taliesin West property, a national historic landmark sitting outside Scottsdale, Arizona. This set off an important initiative to become a net-zero site, meaning it will produce as much energy as it consumes. Over the next thirty years, cost savings are estimated to reach more than \$2 million.

The road to saving millions, however, has required careful planning and generous donations of solar panels and installation. Because Taliesin West is a historic site, solar fields had to be placed carefully to ensure that the integrity of design was not compromised.

With the solar panels and installation donated by private businesses and the remaining costs covered by an investment from the foundation, the solar fields were completed soon thereafter, and the cost savings have begun and will be invested directly into the preservation, education, and public-engagement activities of the foundation. (And Wright's integrated approach to design and life and the mission of the foundation are extended further as Energizing Taliesin West™ emerges as a platform for advancing Wright's lessons of sustainability into education programs for both graduate students in architecture and the public at large.)

Also turning energy savings into cost savings is Cancer Support Community Arizona (CSCAZ). CSCAZ maintains a historic bungalow and provides services that lend emotional and social support to people with cancer and their loved ones. Like the Frank Lloyd Wright Foundation, CSCAZ was able to secure the donation of an energy audit, which provided a detailed list of improvements and conservation measures that would be cost effective. Because the list contains stand-alone improvements (replacing windows, upgrading electrical outlets, etc.), the organization has been able to space out the projects in such a way that a big cash outlay was not (and will never be) required. Thanks to rebate dollars from Arizona Public Service, the investment thus far has been minimal—about \$2,000—and the savings have already started to add up. Most important,

the cost savings mean additional program funds. CSCAZ estimates that the annual savings in energy costs will allow them to serve approximately sixty-five more members each year.

Growing to Save—Really?

Expanding scope to save on costs doesn't make sense at first glance, but the concept of economies of scale came into play when St. Paul, Minnesota-based Mano a Mano International Partners, an organization that works to improve health and increase economic well-being in impoverished Bolivian communities, determined that it could actually save money by broadening current activities to include servicing partner organizations.

Mano a Mano regularly ships supplies to Bolivia, a costly endeavor that requires not only thousands of dollars to pay for shipping containers but also skill in navigating the complex process of getting those containers through all the necessary channels. Organization leaders realized that they could partner with other U.S. organizations needing to ship to Bolivia, to maximize container space and share costs. As of summer 2013, Mano a Mano has collected and shipped more than 3.5 million pounds of surplus supplies that were destined for U.S. landfills. The cost savings they have achieved as a result of coshipping have meant the completion of more projects.

Finding a Partner in a Big Cost Center

Another impressive example of using existing resources to capitalize on partnerships comes from The Road Home, a nonprofit in Salt Lake City that assists homeless individuals and families. In 2013, the organization provided 119,660 nights of shelter to 680 families. The cost of providing new linens as old ones became overused began to mount. Fortunately, The Road Home has a dedicated board services committee that used creativity and community connections to solve this growing concern, coming up with the idea of reaching out to local hotels to ask for lightly used linens that the hotels would otherwise discard. Many hotels readily agreed, and the board members themselves picked the linens up and delivered them to the shelter.

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These relationships have been lasting, and the hotels now reach out to The Road Home whenever they have inventories of items they plan on discarding. Hotel employees have become engaged as volunteers, too, and the hotels have offered other in-kind donations. The Road Home has achieved incredible cost savings—estimated at about \$60,000 annually—as a result of the donated linens, as well as found one more avenue to further support the in-need population benefiting from The Road Home’s services.

Putting Technology to Use to Expand Capacity while Saving

Managing a large volunteer pool can be burdensome. Scheduling, training, and communicating with volunteers can take up a lot of staff time. Denver-based Junior Achievement–Rocky Mountain, Inc. (JA) knows this firsthand, and set out to find a tool that would allow it to achieve efficiencies for the benefit of both the organization and its volunteers. Using a combination of online tools, JA created a virtual volunteer management system that allows it to recruit and place volunteers as well as provide online training.

The result has been tremendous: time spent on scheduling and communication has been cut by 60 percent. This use of technology has allowed JA to use staff in a different capacity, and even though JA has experienced growth in its abilities to expand program reach, the organization has been able to save on hiring additional staff. The new system has resulted in the ability to raise 10 percent more revenue, reach 10 percent more students, and recruit 13 percent more volunteers.

JDRF MinnDakotas, an organization focused on curing, treating, and preventing type 1 diabetes, also knows the value of putting technology to use in order to expand program reach and save on costs. JDRF serves three states—Minnesota, South Dakota, and North Dakota—which means that geography can present challenges when it comes to providing education and demonstrating value to its supporters. The organization found, however, that it could use this geographic weakness as a strength through the use of technology.

Through the power of videoconferencing, JDRF arranged for its educational event, Research Spotlight, to be available in five locations across three states. To minimize costs, the organization turned to local hospitals as host locations, drastically cutting down on potential venue, food, and technological-support costs. The result has been remarkable, because technology has meant increased exposure to—and connection with—donors, showcasing the value of what the organization is doing to fund type 1 diabetes research; in addition, the videoconferencing platform has enabled greater outreach to people affected by the condition.

Optimizing Underutilized Assets

In 2013, the idea of streamlining resources also occurred to Metro Meals on Wheels (MMOW), located in Minneapolis. At the time, the organization was supporting the billing needs of seven member programs. The organization conducted a study with the University of Minnesota Carlson School of Management that revealed two important findings: (1) programs using MMOW’s billing service had a collection rate of 98 percent, compared to a 91.5 percent collection rate for those doing it themselves; and (2) those that used MMOW’s billing services rather than a third party’s services were able to get the same benefit for half the price.

The first finding meant that more revenue could be captured and the second finding meant that programs could save money, resulting in reallocation of funds to provide more meals to those in need. An additional seven programs signed up to use MMOW’s centralized billing services, and another eight are scheduled to get on board this fall. Patrick Rowan, MMOW’s executive director, notes that the effort is part of a larger, long-term strategy to relieve small nonprofits of their administrative burdens—helping them to redirect resources (both dollars and staff time) to their important mission work.

Similarly, YWCA Utah was able to look to its own resources as a means of achieving cost savings and expanding its ability to serve. The organization took an unused asset—base-ment real estate—and turned it into a means of

generating operating revenue in such a way that it does not divert staff or attention from its core mission-supporting programs.

The idea came when the organization was left with a finished, spacious basement as a result of a capital campaign that allowed them to build its Center for Families. The staff at YWCA knew that they would not need the space for their own services and programs for several more years, and determined that they could rent it out as office space. Since 2013, they have collected almost \$50,000 in annual rent from a private business. This has allowed the organization to not only offset some of its costs but also, more importantly, to support the expansion of its services. With the help of that revenue, the YWCA increased the number of domestic violence survivors and their children served by 10 percent, as well as increased the number of shelter residents it was able to assist in finding safe, affordable, and permanent housing. The revenue also helped make it possible for the YWCA to add a new initiative: a research publication that offers data and insights to Utah leaders who have had input in shaping the support available to women and their families.

What It Means to Be Resourceful

We at Eide Bailly have been fortunate enough to be exposed to the initiatives described here (and a slew of others) through the Eide Bailly Resourcefulness Award—an annual program our CPA and business advisory firm started in 2013 that provides recognition to nonprofits that have undertaken sustainable and creative revenue-generation initiatives. We work with more than 1,900 nonprofits across the country and will never be able to honor every sponsorship, volunteer, and in-kind donation request that comes in from our clients and the larger community; yet we see that the greatest stress plaguing our nonprofit community is that of finding and maintaining revenue streams. The Resourcefulness Award was our solution to creating something that could benefit every nonprofit organization, because the ideas submitted for the award that stream in can be shared and discussed with the broader

community. Our hope is that sharing these ideas will inspire others to think differently about how they deploy resources, and plan strategically for future needs.

While we bestow prize money on winners, the award goes beyond cash; it pushes to elevate the level of discussion of sustainable revenue streams (which can be reflected as the inverse—i.e., cost savings) to extend beyond the development function and instead live at the level of business strategy with the CEO, the CFO, and the board.

Our Lessons

The Resourcefulness Award was generated to help inspire ideas in leaders in the nonprofit community, but we accountants and board members have come away with our own valuable lessons:

- **First and foremost, look inward.** Often, there are gems hidden within your own organization that have the potential to provide cost savings or revenue. If you cannot find them, look to other nonprofits for inspiration, or ask somebody outside your organization to give your operations a look with fresh eyes.
- **Know that sometimes you have to spend money to make money.** Cost savings often follow an investment. Of course, do your due diligence to predict the savings that will follow, but do not be afraid of investing in something with promise.
- **Consider partnerships.** Over and over we have seen the benefit of collaborating with other nonprofits. Sometimes the partnership is a result of mission alignment and sometimes there's simply an opportunity to lower costs by sharing resources.

Ultimately, passion for mission and purpose drives ingenuity in operations. Opportunities to save money lead to opportunities to *do* more. And for that thriftiness, we are all richer.

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