



## FINANCE ... QUESTIONS TO ASK IN ROUGH FINANCIAL TIMES

Stop worrying about the messy economy and do something concrete about it. Streetsmart nonprofit manager Thomas A. McLaughlin encourages you to deal with a

shaky economy by calling in your top financial person and asking them the following questions.

How liquid are we, really? As long as you have sufficient cash you can outlast most blows the economic environment throws. Be sure that what is listed as cash, really is cash.

Do we have unrealized losses? Congratulations, if the answer to this question is yes. This means you have an investment portfolio large enough to lose enough money to influence your bottom line. In these times, investments cushion what otherwise might be an unpleasant financial jolt. These organizations are what give the nonprofit sector its recession-resistant character.

Are we profitable? One of the best things you can do is make sure your operating costs are under control. This is the year to make a big profit, preferably a big one to offset all other potential sources of unhappiness. Running a deficit just adds another source of erosion.

Freeze or postpone? Both. With their heavy-handed but egalitarian downward pressure on spending, freezes offer the most intuitive alternative to painstaking attempts to be fair. Postponements are another obvious choice, although it should be noted that most operating expenses cannot be postponed in large enough quantities for a long enough time to have substantial impact.

What's the status of our line of credit? In normal times, lines of credit are supposed to represent a quick and easy way to bring cash into the bank account without acquiring a long-term loan. If there is borrowing on the line of credit, and if the bank has the right to call the line, it can worsen the cash flow crunch of the organization. At a time when the federal government is flowing capital into banks in order to loosen credit this may not be likely, but the risk may still be there.

What's our single largest asset? Nonprofits must own assets in order to operate. Look for the single largest asset on your balance sheet, that is your biggest risk area, and you need to understand it in the context of a bad economy.

You can see the insidious nature of all of this. But, at least you'll be around to see the upturn.