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Everything Turned Out Fine? - Transcript

[Speaker 1]

Welcome to Charity Therapy, the podcast where we explore the ups and downs of the nonprofit sector and answer your burning questions. I'm your host, Jess Birken, owner of Birken Law Office, and I'm excited you're here. Imagine hanging out with me and my super smart, funny nonprofit expert pals.

You get to ask them anything about your nitty gritty nonprofit life and get their wisdom for free. Whether you're a seasoned pro or just strapping on your nonprofit boots, we're here to share stories and remind you, you're not alone on this journey. So get ready to join the conversation and bring me the tough questions.

I ain't scared. Ready to rock? Let's dive in.

Hello, and welcome to this episode of Charity Therapy. Meghan, what's up? Lots up, Jess.

How are you? I'm panic buying at Costco. I'm stocked up on Plan B, flour, imported goods, just ready for this next administration whirlwind here.

[Speaker 2]

If that wasn't clear enough, we're recording this at the end of January of 2025. So that's your scene setting in case you're not listening to this, right?

[Speaker 1]

What you don't know is Meghan just told me we can't talk about time bound things during our podcast chit chat time, but I just broke that like immediately. It's fine. It's what's happening.

It's on everybody's minds right now.

[Speaker 2]

Whatever.

[Speaker 1]

If you're listening to this in the future, you can just look back fondly and remember how freaked out everyone was and how it was all for no reason. We shouldn't have freaked out at all because everything turned out fine. Exactly.

[Speaker 2]

Everything's going to be fine. It's going to be fine. We're speaking directly to you, future listener.

Thank you for your Lord imaginary support. Okay, so with that backdrop, let's just like get into this. So as I mentioned, it's late January of 2025.

We have just gone through the sort of like the Trump administration going to freeze all federal funding. Yes, no, maybe back and forth. So with all of that, we're seeing lots of changes for nonprofits already.

And I know there's a lot of worry about what's actually going to happen with funding. And we can't tell the future. A lot has changed even the last 48 hours.

So things are going to be up in the air. But just like what could that really look like for people?

[Speaker 1]

Well, I mean, you know, we put out an ebook on inauguration day. And it's been interesting to see in the first couple of weeks here how much of that has started to come true. Like what I thought would happen what you thought would happen.

And one of the big things that we thought we might see is threats to federal funding. And I think what most people don't realize is just how many billions of dollars flow from the United States federal government into the nonprofit sector. And that's through entitlement programs like to community action funds to states who then pass on the federal funding to nonprofits and also just direct funding to different programs.

So I think federal funding getting messed up somehow was always on my radar for this administration and the sort of campaign promises that they'd been making. And then I've also obviously been concerned about extra special unwanted attention being paid to certain types of missions, missions that are maybe like about racial justice or missions about reproductive

rights and things like that, LGBTQIA, trans, whatever, anybody in those kind of like hot button immigrant issue, like anybody in a mission focus that is antithetical to this administration I've had concerns about.

I'm sure we're going to be seeing that play out over the next four years. I don't know exactly how. And then, you know, the first time around in 2016, there was a lot of like rage giving, like people were so angry at how things were going.

We saw a lot of nonprofits really level up their fundraising and their individual contributions got really high, like crazy because people were so angry and outraged. And, you know, I don't know about you, Meghan, but I'm tired. I'm tired.

And I think we're all a little tired. The economy's been bad. Inflation's been bad.

So I am curious whether we'll see extra giving or extra not giving.

[Speaker 2]

Well, as people feel tapped out. For a local example that just was in the headlines this week, you know, like Target has ended their DEI initiatives and they pulled out from supporting the Twin Cities Pride festival and parade. And it was like a \$60,000 funding gap.

And it was covered within like 24 hours by individual donors who were mad about that. So it's like clearly not going to be nothing, but it's not necessarily going to look the same as it did four years ago. So again, it's the thing that we can't predict exactly what's going to happen with funding, both like federal funding and, you know, individual giving and everything else.

But it's probably not going to look the same as it did a month ago, no matter what.

[Speaker 1]

Yeah, it's just even interesting. And I think this is a whole other episode. Well, first of all, the whole DEI capitulation thing is a whole other episode.

But also just like what does this level of corporate cooperation or capitulation to this current administration, what does that do to corporate giving? Because I think there are a lot of events, especially that have corporate sponsors, and that could be super interesting.

[Speaker 2]

Absolutely.

[Speaker 1]

Maybe they don't want that visibility anymore. Yep. Fun times.

[Speaker 2]

Lots to come. But let's just jump into the question right away here. So those are sort of the big areas where funding is going to be up in the air.

But we have a listener question here that gets a little bit more specific. So person says, with all the pending changes to federal funding, I'm seeing a lot of chatter online about what we need to change in our funding. I'm on the board at a social services agency, and we've been trying to diversify.

But honestly, it's been slow going. I'm really scared for the future. And I don't know how we're magically going to find the funds to replace the grants that we get.

What do we do?

[Speaker 1]

Yeah, this is hard. This is really hard. Because, you know, I mean, I've probably said it 100 times in 100 different formats, don't put all your eggs in one basket.

But it's easy to say that. And it's a lot harder to deliver on it. And it's definitely depending on what the nature of your work is, it can be very, very difficult, not only because the nonprofit doesn't have the systems in place, they've never had to have any systems in place, they have no organizational experience in fundraising in different methodologies.

And there just may not be a good replacement. So I want to just start out by acknowledging that the reason we have so much federal funding is because in the past, government has decided that the nonprofit sector can be more nimble and be more calculated and deliver things better than government can. And so things that government wanted to pay for, it outsourced that work as if they were the fiscal sponsor, and the nonprofits were doing the work of government.

That's why one of the exempt purposes you can have is lessening the burdens of government because you're literally doing something the government would otherwise do. And when that's the sole source of your funding, it can be really hard to replace that. Because there isn't anybody who wants to pick up and pay for this, right?

Otherwise, other charities would be doing it with diverse streams of funding.

[Speaker 2]

Exactly. It's not like even if the answer is that diversifying your funding is protective for the organization, that doesn't make it easy or even possible for everyone to do.

[Speaker 1]

Right, right. So I just want to acknowledge that is reality. Now, on the other side, it is also a reality that people fundamentally don't like change, and change is hard, and doing something new is hard, and you risk failing.

And so there's a lot of what I might call ostriching that goes on, not just right now, but like at any time, you know, where like, oh, yeah, we should diversify. But like, the best analogy I'm like, popping into my head is like, oh, we should rebrand. We've had this terrible eight color 1970s looking logo for the last 35 years.

And you know what, we really should rebrand. And that that gets floated up to the board about every third year. And they're like, yeah, yeah, yeah, that's all good.

And let's maybe even look at some designs and then somehow that initiative dies every single time. Why does it die every time? Because rebranding is a bad idea?

No, because it's a lot of freaking work. It's so much work. And there's so much fear around like, well, what if we make people angry that we changed our logo, and they don't like it, and then they don't give to us or then they don't join or like, then we have to change it in all of these places, like hundreds and hundreds of places and then it doesn't happen.

And I feel like that's how diversifying your fundraising is. It like sounds really good on paper and then getting the actual will together to do the thing and pay the sort of like pioneering costs and fall on your face and fail and try and spend money on that and have your board be okay with blowing money on things that don't work is hard. It's a lot harder than it sounds.

[Speaker 2]

Absolutely. And especially because, you know, when you're trying to diversify, these orgs aren't necessarily going to say no, we're not going to go after federal grants anymore. And it takes time and expertise and everything to, you know, keep those funds and be able to appropriately use them and report back and all of that kind of stuff.

So it's like work on top of the work that your, you know, development office is already doing. Yeah.

[Speaker 1]

But here's the reality is some crazy shit's about to go down. Like yesterday, there was a pause on federal funding. And then by the end of the business day, a judge had put a pause on the pause.

And we already know it's this administration's stated intent to like go through and cut funding. Like we've known that for a long time and now they're making good on those campaign promises. So like what can you do to prepare for that when you don't even know if your funding is going to get cut or all of it or part of it or some of it or none of it?

Like what can you do? So really what I would encourage folks to be doing right now, if you're listening to this and it's actually timely for you, is just get your arms around what your financial picture is. Do you have a line of credit with your bank?

Can you float a couple of months expenses? For those of us who are in the government grant space and are in Minnesota, I know our state government has shut down a couple of times over the past decade. And I worked in-house at a large nonprofit where we did not get reimbursed for a while, right?

Like we're always under some continuing resolution with Congress and whatever. If you're really in this world, you're not a stranger to the fact that the government can sort of grind to a halt sometimes. And really taking a look at what systems you have in place to absorb some of that.

And can you talk to your bank manager about increasing your line of credit? Is that a good idea? What is your financial runway if your reimbursements stop happening?

And then thinking through, okay, if there's a certain amount of uncertainty, what do we want to do as far as like, do we want to prioritize retaining staff? Do we want to prioritize paying our vendors? Is it easy enough to put a pause on programming, furlough everybody, and just wait it out?

Thinking about it ahead of time and developing a sort of matrix of decision-making criteria and thinking through some of those knowable unknowns like, well, it is possible that we could go two months without getting a payment back. It is possible we could go two months without getting a payment back and then have those expenses be deemed ineligible. So how do you want to address these things?

And there's a fine line between like panicking and planning. And I just really want to encourage everybody to stay grounded and stay in planning and not panic. And that's why I want people to think about it ahead of time so they're not just like reacting as things happen.

Because that feels like what's going on right now. We're all just reacting as things happen, which is only human. But to the extent that we can plan, like, let's do it.

[Speaker 2]

And there's a certain amount of that, like you said, it's we're going to have to react as it's coming. And so that's where, you know, that sort of middle path of getting the numbers straight so you know what your situation is. Even if you don't know what's coming down the line, you know what your numbers are, what your options are on a basic level, but also not falling so deeply into the worst case scenarios where you feel like you need to have these like contingency plans on contingency plans forever.

Because again, you don't know what's going to happen. So it's hard to keep yourself from falling into that when we are talking about like, if all funding grown to a halt tomorrow, how long could you know, like, that's a scary proposition. And it's easy to continue down that line way further than is useful for the actual question of like, what do you do in this situation, we have to figure out where to put our like panicky feelings and stay focused on what's actually useful for the nonprofit right now.

And that is getting to know some basic, important information about your financial picture.

[Speaker 1]

Yeah, I feel like you take your least favorite printer from the office, and you take it out back, and you beat up a baseball bat sticks. Yeah, just play yourself the scene from the office movie,

just get your frustrations out. And then go back to the conference room and start running some numbers.

And say, if you can make a decision, like we are going to prioritize staff retention or severance packages, then great. Now you have a guiding principle. And you can say, if we don't have payments for three weeks in a row, that's not a problem.

We've done that before. Once we get to the fourth week, we are going to decide to do A or B. And the priority is on staff retention, or the priority is on maximizing severance packages, whatever, you will make a decision that's right for you.

But it's like time to sit down with your numbers, people do some projections, make some like plans that make some sense to you with your mission. And then you know, if you need to take a second least favorite printer out back and beat that one up. I won't fault you for it.

I think one of the hardest things about this whole time has been clients who just want me to like they hope that I have a magical answer. Yeah. And like what they should do, and what is going to happen.

And the reality is, we all wish that there was a grown up in the room who knew what was going on. And it boils down to like, that's us. And so we kind of have to manage our feelings and also be the one who figures out the plan.

[Speaker 2]

Well, and that brings it back to the actual question answer here. They're saying that I don't know how we're going to magically get the funds to replace the grants, you're probably not. You know, like, there is probably no magical source that will just appear like there may be

several avenues you can take to diversify in the future, there may be other things that happen, but it's not going to be this like a wave of a wand, something else will come through.

So that is where getting down to the actual details is important. Because if the government is funding a major part of your organization, there's probably not another entity that's going to say yes, that 60% of your operating budget, I've got it here for you, you know, like, right, is it a one to one, and right, things may have to look very different in order to move forward. And that's a scary proposition.

But like, we owe it to ourselves and to our missions and everything to consider what those options are.

[Speaker 1]

Yeah, absolutely. And you know, to like figure out what is your pull the ripcord point, because it's not free to go to business. So like, if this really is going to put your organization out of business, if you get to x point, and you know, there's no recovering after x point, that's great.

And you need to figure out what is the amount of budget we still need to retain for our winding down. And that sounds like a horrible thing to say. But again, that's where I'm like, this is get the ebook, go through download, there's lots of little like, what would you do about this?

What would you do about that? And those are some of those high level things where it's like, if you did have to go out of business, when would you want to pull that when would you pull that cord? Right?

And so you may not see the end of your funding, this may just be like a blip, or you may lose all your funding. If you lose all your funding, it's not like you can diversify overnight. Right?

So that does look different. Well, I feel like we said a whole lot of nothing, Meghan. Was there anything useful actually uttered during this episode?

[Speaker 2]

There's a couple things I think we can pull out of here. And we'll see the listeners you tell us whether this was useful. But I think the biggest thing is if you're facing a potential major loss of funding like this, your number one task is to well, your two major tasks.

One is to manage your feelings and understand that it's totally okay and reasonable to feel panicky. And your panic should not drive your next steps at the nonprofit. So number one, manage your feelings.

And number two, take a real look at your financial picture, figure out what some basic contingency planning looks like for if this happens, this is what we need to do. These are our priorities. This is how we can best serve our mission and get some of that in front of you.

So you at least know what you're working with. And it's a scary, uncertain time right now. So there is no magic answer.

There's no perfect way that we are going to handle this. But if you can do those two things, you'll be in a better place than you would be otherwise. Did I miss anything, Jess?

No, ma'am. All right, then I think that's it.

[Speaker 1]

Folks, if you enjoyed this chaotic episode, and you don't enjoy this chaotic environment, you should share this episode with a friend, leave us a rating, subscribe on your podcast app, it really helps us out and helps the podcast get to other nonprofits and other leaders who need to hear these things. If you have a question or story to share, especially if it relates to insanity that is happening with the current administration, if you're listening to this anytime between January 1 2025. And four years later, whatever that math works out to send us a note.

I'm not a math person. Meghan is laughing, but I'm just not a math person. Okay, it's okay.

It's 2029. I can do it just takes a while. Leave us a message on charitytherapy.show. And thanks as always for listening. Bye bye.

About the Author



Hi, I'm Jess Birken.

I'm the owner of Birken Law Office, I help nonprofits solve problems so they can quit worrying and get back to what matters most – The Mission. I'm not like most attorneys, I actually have an outgoing personality, and – like you – I like to think outside the box. Most of my clients are passionate and have an entrepreneurial spirit. I'm like that too. My goal is to help you crush it. Getting bogged down in the minutia sucks the joy out of the important stuff. My clients want to do the work – not the paperwork.

Let's connect!

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