Solutions Journalism: Paths Forward, a guidebook for navigating restructuring and closure, lets orgs know they’re not alone in financially troubled times

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This is the first of an ongoing “Solutions Journalism” series. Its goal is to provide practical, informative, and expert resources and tools in concise, approachable articles, in response to feedback from readers and our editorial advisory committee about what they feel is relevant and timely.

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When the 162-year-old Yarmouth YMCA closed its doors for the last time in the summer of 2020, more than the lights went out. “It felt like a death in the family,” says former board chair Chris Brown.

The pandemic cut membership and revenues at a time when the organization had already been struggling to deliver programs like Friday fun-nights, swimming lessons, summer camps, and seniors’ activities. “It seemed like a failure,” Brown says, “that we failed the members and the staff of the Y, and the community.”

Brown is not alone. Ys in Regina, Orillia, and Fort McMurray have closed, and the list keeps growing, says Peter Dinsdale, CEO of YMCA Canada, adding that it’s “tough” to read of the heartbreak and devastation people express about the 10 locations that have been impacted by the pandemic thus far. “But it’s also heartening,” he says, “because it reminds you how important the Y is to that community and makes us even more determined to make sure no other community in Canada goes through that."

Countless other non-profits are facing wrenching choices for similar reasons. Once government supports end, "you are going to see tens of thousands of organizations fall," Pamela Valentine, CEO of the MS Society of Canada, told *The Globe and Mail*.

A guidebook released in December provides a range of practical advice to the boards and executives of similarly threatened non-profits. Paths Forward in Financially Troubled Times: A Restructuring and Insolvency Guidebook for Charities and Non-profit Organizations, published by Alberta's Muttart Foundation and Miller Thomson LLP, offers options for how to continue operating as well as advice for when it's time to say goodbye. "Stop beating yourself up," the authors write. "There's no way you could have planned for this . . . You aren't alone."

The guidebook is meant to give organizations resources "so they don't panic too soon, or too late," says Susan Manwaring, partner at Miller Thomson, who contributed to the guide with Bob Wyatt, Muttart's executive director; Craig Mills, another Miller Thomson partner; and Peter Broder, Muttart's general counsel at the time.

Some highlights:

Keep calm and plan on

The best approach for organizations struggling with cash flow is to plan for the short-term, at least until things stabilize. "In my view, a strategic plan of more than six months at this point is just total speculation," Wyatt says, suggesting instead to plan out for one month.

Manwaring advises to approach planning in terms of certainties and unknowns. "Plan to pivot given several different scenarios," she says.

Whatever the plan, act quickly, adds Mills: "Oftentimes what I've seen in my practice is you've got clients that have sat and stewed and done nothing – and their options have suddenly disappeared, and they're left with one, as opposed to having three or four, or even five, if they'd acted earlier."

The guidebook recommends "continuously [analyzing] the current and anticipated future impact" of COVID. Revisit marketing strategies, project scenarios, and revenue streams. Look for ways to funnel resources into core objectives and day-to-day operations, such as requesting exemptions from "forbearance and covenant breaches" attached to certain types of grants and funding. When you approach creditors and investors, show you're "proactively considering and planning for financial uncertainty."

Sharing is caring

The pandemic has provided new opportunities to forge alliances, including shared-service agreements as a way of sharing financial burdens and overhead. "Most organizations don't work in isolation," Manwaring observes.

Wyatt adds, "This is not the time for any charity to consider itself an island." He gives the example of shared information technology (IT) services. Except for the largest charities, few organizations need a full-time IT person. Contractors can take on 15 or 20 organizations. “Instead of paying one full-time person, I can pay one-fifteenth of a person.”

Whatever services an organization chooses to share – from premises to bookkeeping – the guide advises non-profits to choose partners wisely, and to start small. Put the sharing arrangements in writing, outlining costs and estimated length of the collaboration. If sharing with a non-charity, remember that there are legal implications to consider, and consult with a lawyer.

It’s not you – it’s our core mission

Lay-offs and terminations are the most effective way for organizations to cut costs, but they can also be the most trying. “This is a really difficult management decision,” Manwaring says. There’s no formula for deciding who gets the pink slip. But, she adds, the essential questions remain the same: What core services does the organization provide? What is its mission? Who is critical in achieving this? “There’s nothing more magical to it than that.” Some organizations have determined that people in secondary management positions aren’t as critical as once thought, she explains, providing “a way to move out a part of the workforce that wasn’t direct-service providing but was not inexpensive.”

Such decisions “should be carried out quickly and communicated clearly,” the guide notes. State reasons why and provide details to the staff members affected and the organization as a whole. Ensure that remaining employees aren’t “overwhelmed or struggling” by scheduling follow-ups and providing tools they might need for technical, logistical, or mental health support.

Leverage and the lease

Even if you’re struggling to pay rent and have exhausted other options such as the Canada Emergency Rent Subsidy (CERS), you may still have more options than you realize. In a crisis like COVID, no one wants to be perceived as “the aggressor in the marketplace,” Mills says. As with banks and other creditors, landlords may worry about evicting a non-profit or community organization. “Optics weigh in the favour of the charity,” he says.

The guide advises asking for a rent reduction or an abatement agreement. Ensure that whatever both parties agree to is in writing, including details such as an end date – i.e., when you expect to be more financially stable – and a clarification that rent is abated (free or reduced) and not merely deferred. In addition, ask whether the landlord will enforce the same “default remedies” under your previously agreed-upon lease should you fail to pay.

As a last resort, the guide suggests, negotiate a “surrender.” Negotiations should include the date of surrender, the remaining amount you will owe up to this date, when you will move out, and what condition the space should be left in. Also, ask to negotiate a legal release – an agreement that the landlord won’t make any further claims.

The writing on the wall

No one could have prepared for COVID. But, says Wyatt, now that we’re having these difficult conversations, “what can you do to create the best possible result for the people you’re intending to serve?”

To do the least damage, it’s better to face the inevitable now than later. “It’s kind of like putting off your annual physical,” Mills says. “You know you have to do it.”

The directors and senior managers of organizations facing financial crisis “have to act,” adds Manwaring, “and that’s really the message we’re trying to send out.”

As the authors remind, “Circumstances change, society changes, people change. Those are all realities.” For organizations facing dissolution, sometimes the best path forward is to celebrate the accomplishments and move on.