

APR 29 2009



**Presentation
May 6, 2009 Meeting**

DATE: April 22, 2009

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director



SUBJECT: Economic Impact Survey of Non-Profit Organizations

In January 2009, the Orange County Funders Roundtable conducted a survey of nonprofit organizations serving Orange County to assess how they are faring during the economic downturn. Anne Olin managed the survey project and will be presenting the results to the Commission. In summary, 70% of the responding organizations anticipate having to make some adjustments during the economic downturn, with 32% indicating those adjustments will be major.

ATTACHMENT:

Executive Summary, *The Economy and Orange County NonProfits*



2009

**THE ECONOMY AND ORANGE COUNTY
NONPROFIT ORGANIZATIONS**

Orange County Funders Roundtable | February 23, 2009

The Economy and Orange County Nonprofit Organizations

EXECUTIVE SUMMARY

In January 2009, the Orange County Funders Roundtable conducted an online survey of nonprofit organizations serving Orange County to see how they are faring during the economic downturn. The survey was sent to 878 email addresses and 161 responses were received, for a response rate of 18%. Seventy percent of the responding organizations anticipate having to make some adjustments during the economic downturn, with 32% indicating those adjustments will be major.

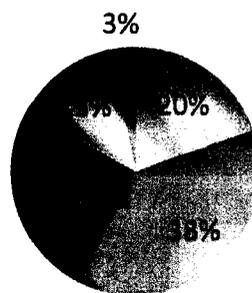
The survey results demonstrate that the nonprofit sector is experiencing serious effects from the changing economy. However, unlike much of the for-profit sector, where declining revenues are caused by a decreased demand for goods or services, declining revenues in the nonprofit sector are accompanied by increased demand for services, which are expected to be provided at low or no cost. As seen in the survey results, nonprofit organizations use many of the same tools as for-profit corporations to adjust to the changing economy, including laying off staff, reducing staff hours, reducing operating costs and seeking to increase revenues. Highlights of the survey results are presented below. Quotes throughout the report come from the respondents, but cannot be attributed to any particular person or organization because the responses were anonymous. A complete report on the survey responses is available at www.ocfunders.org.

CHANGES IN REVENUE

Compared to 2008, 58% of the responding nonprofit organizations anticipate declining revenues in 2009, with 20% expecting a year-to-year decline of 20% or more. Only 16% anticipate an increase in revenues.

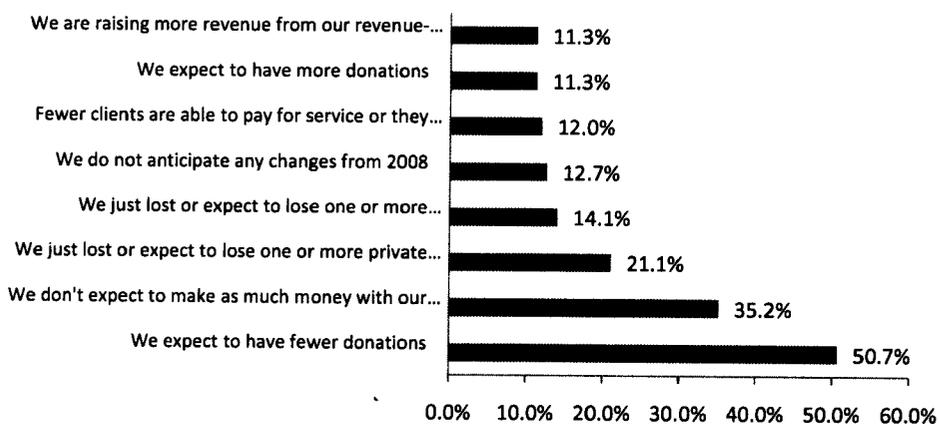
The primary reasons given for the changes in revenue were fewer donations, less profitable fundraisers, and the loss of one or more grants or contracts.

Compared to 2008, what do you anticipate your budget revenue will be in 2009?



- Down 20% or more
- Down 1-19%
- About the same as 2008
- Up 1-19%
- Up 20% or more

What are the primary reasons for the anticipated change?

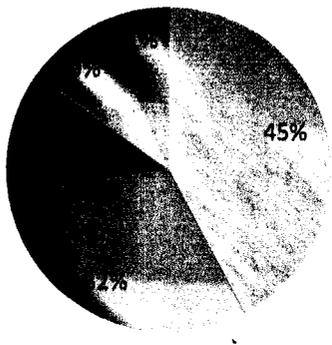


"To date we have been unaffected. 2008 was our largest income year. We have budgeted 2009 at a 20% decrease in income as we will retain donors, but they will reduce the size of their contribution."

EFFECTS OF THE ECONOMY ON SERVICES AND OPERATIONS

Seventy-seven percent of the responding organizations anticipate having to make some adjustments during the economic downturn, with 32% indicating those adjustments will be major.

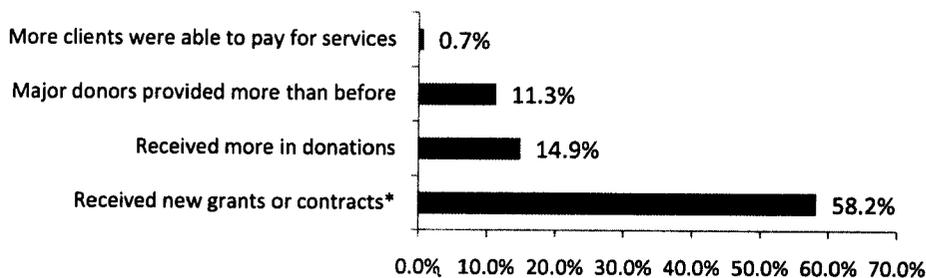
What is your perception about the current economic situation and its effects on your nonprofit organization?



- We will have to make minor adjustments during this time
- We will have to make major adjustments during this time
- We are not sure how the economic situation will affect our organization
- We are very worried about whether we can survive this downturn
- Our organization will do well, we will not feel any significant effects

Nonprofit organizations have already been feeling the effects of the economic downturn. The tables below present income, fiscal, service and operational events that the respondents experienced in the past 12 months. The organizations generally anticipated that they would continue to experience these events in the next 12 months at similar rates – notable exceptions are presented.

Events leading to an increase in revenue



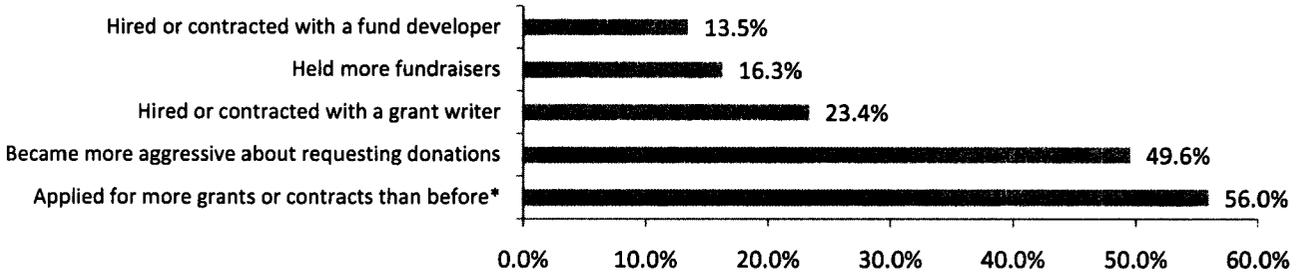
"The majority of our donors are corporations. They make donations to support scholarships for low-income students. Given the challenging economic climate, we anticipate that many companies will reduce their scholarship funding. We started experiencing this in fall 2008."

"We are the recipient of many "external fundraisers." Many of those have come in 15-20% lower than historic or anticipated. We have lost 18% on our investments but we continue to provide the services at the same level that we always have."

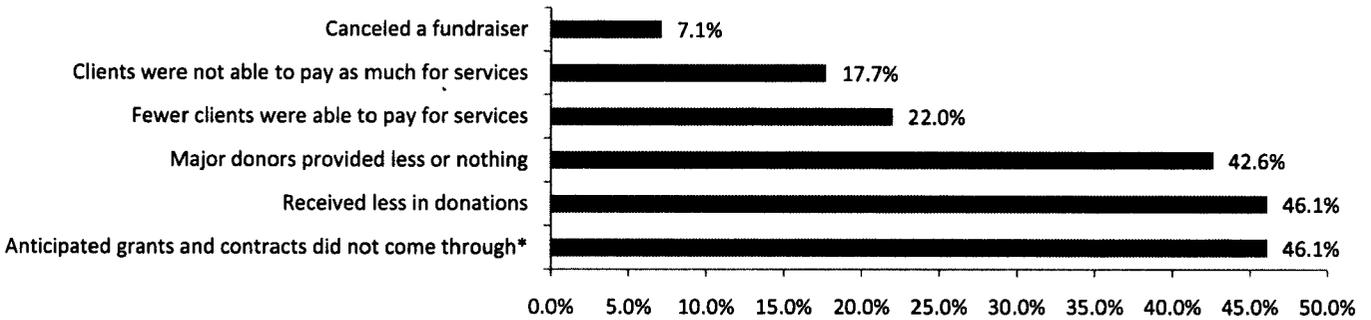
"Our organization is very concerned about the climate. We know the nonprofit sector will need to make difficult and deep cuts. Our nonprofit already has made cuts. Yet the services we provide to infants and toddlers with disabilities are critical."

"There is a great deal of unknown right now. It's hard to know how much to cut, what to cut, and what to preserve. We feel it's not a good time to simply retrench."

Events with an uncertain effect on revenue

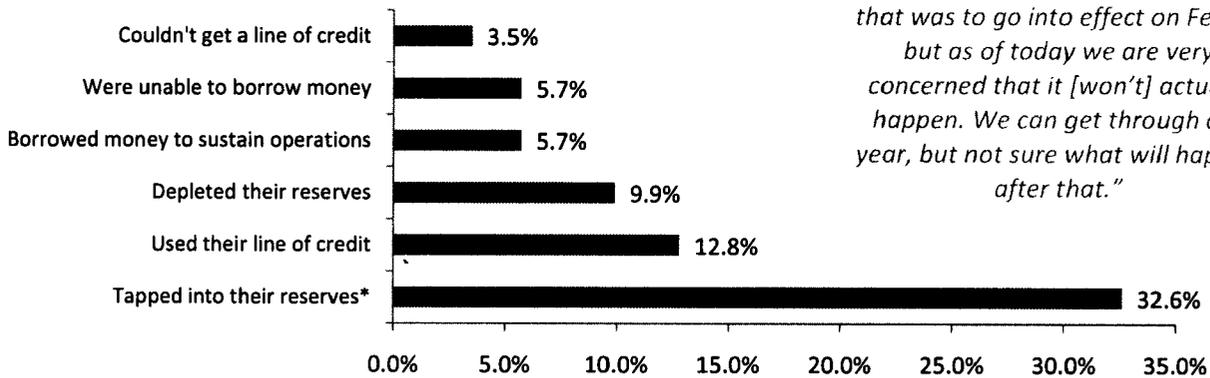


Events leading to a decrease in revenue



* In the next 12 months, 37% anticipate receiving new grants/contracts, 38% expect to apply for more grants/contracts than before, and 36% believe that anticipated grants/contracts will not come through.

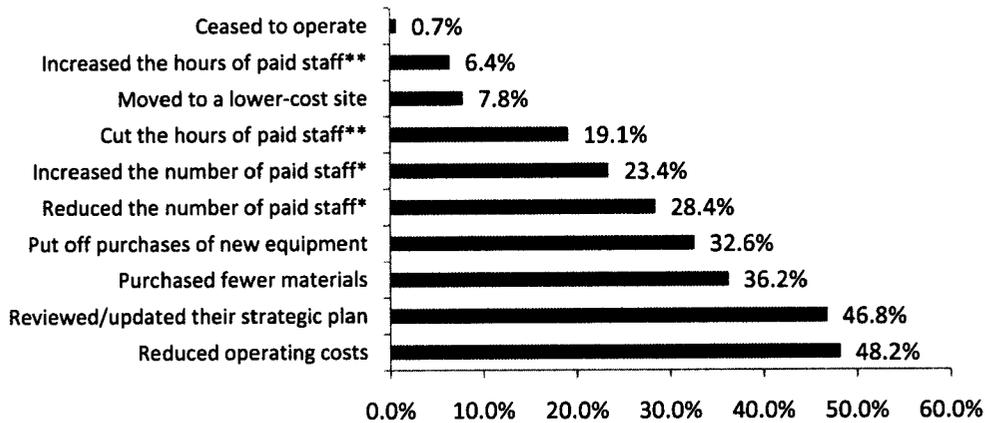
Fiscal events experienced in the past 12 months



"We have gotten a \$100,000 grant that was to go into effect on Feb. 1, but as of today we are very concerned that it [won't] actually happen. We can get through our year, but not sure what will happen after that."

* In the next 12 months, over 40% expect to tap into their reserves.

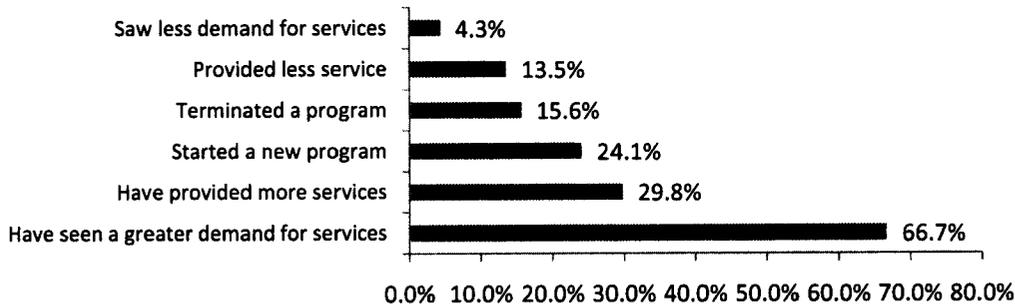
Operations-related events experienced in the past 12 months



*21.3% anticipate cutting the number of paid staff in the next 12 months, while only 8.5% anticipate adding paid staff.

**24.1% anticipate cutting the hours of paid staff in the next 12 months, while only 3.5% anticipate increasing the hours of paid staff

Service-related events experienced in the past 12 months



SURVIVAL STRATEGIES

The nonprofit organizations plan to use a variety of strategies to respond to changing economic conditions. The strategies selected by a majority of the respondents are presented below. The asterisks designate those selected as among the top three strategies by a majority of respondents.

96.9%	Increase Fundraising*	88.9%	Consolidate or refinance existing debt
96.7%	Apply for more grants*	85.9%	Borrow money
94.4%	Increase marketing*	69.7%	Partner or merge with another nonprofit
87.9%	Reduce operating costs	54.5%	Reduce services
78.8%	Increase in-kind donations	53.1%	Charge for services
65.0%	Start or expand a planned giving program		
63.6%	Develop or expand upon earned income		

The respondents also indicated there are a number of strategies they are NOT likely to employ in the coming years:

"Since July 1, we have drawn a significant amount of funds from our reserves to ensure that cash flow and services are not severely impacted. However, we cannot sustain that strategy for a long-term economic downturn and continue to seek ways to increase contributions as well as operate more efficiently while continuing to provide critical services to the community."

"The demand for services is up over 500% in some months."

"Due to the housing foreclosures, we are seeing about 80% more calls for assistance."

"We now have donors and volunteers asking for food boxes and assistance."

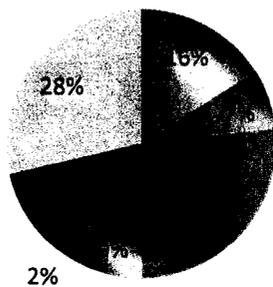
"It has caused us to reinvent the way in which we meet the needs of our clients, become extremely efficient and to work harder."

ORGANIZATIONS THAT RECEIVE STATE FUNDING

Responding organizations that receive some State funding were asked how long they could continue operations before laying off staff or reducing/stopping services if the State does not have a budget in place by July 1, 2009. Of the 56 organizations responding that they receive state funding, 50% indicated they would need to reduce or stop services or lay off staff within three months if the State budget is not passed on time.

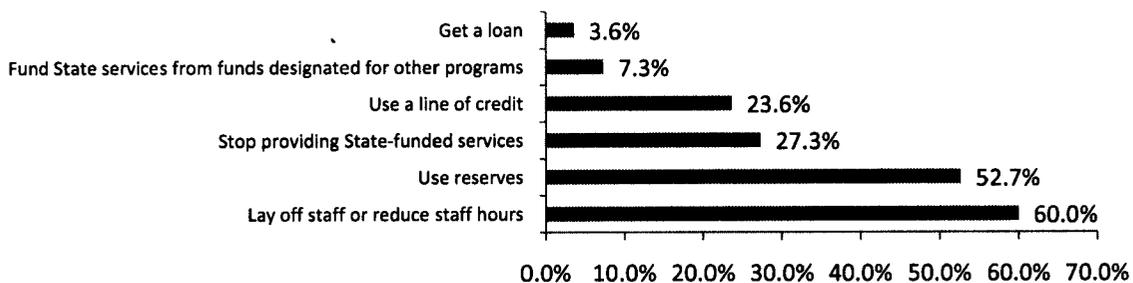
"Like many agencies, we will be losing funding in the coming year from several sources. We do not plan on reducing services, but do plan to increase our grant writing and fundraising efforts. It will be a lot more work for our staff, Board and volunteers, but everyone has expressed their willingness to put forth the extra effort."

If the State government does not have a budget by July 1, 2009, how long do you anticipate your organization will be able to continue operations before you need to lay off staff or reduce/stop services



The organizations that receive State funding have a number of strategies they can employ when the budget is late, and first among those is laying off staff or reducing staff hours.

What strategies will you employ to continue operations if the State government has not completed its budget by July 1, 2009



"A majority of our partners receive state funding and have already implemented staff layoffs and reduced staff hours."

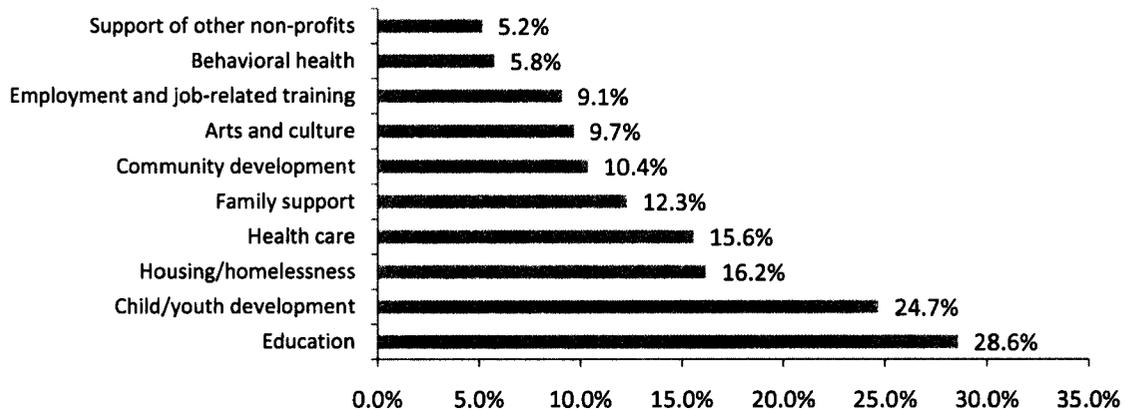
"The impact of the state budget on the local schools is having an indirect impact on us – the schools are cutting back on their ability to provide in-kind support for our program. Thus, while we are trying to expand our services to meet increased demand, we are stymied because the school have to cut out anything extra and cannot accept our services."

"We have a million dollar contract signed with the state and we are not sure if we are going to receive the funds. Last year we had a 350% increase from the year before in requests for housing and support services for homeless women and children."

WHO RESPONDED TO THE SURVEY?

The organizations that responded represent a diversity of focus areas, with education and child/youth development as the two areas mentioned most often as their primary or secondary focus. Also among the respondents were organizations that are involved in health care, community development, arts and culture, and the environment.

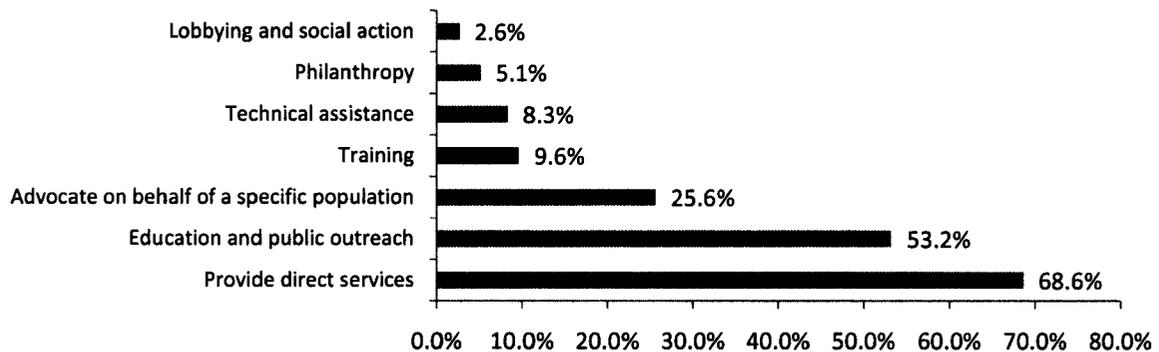
Which of the following best describes the primary and secondary focus of your organization?



Other focus areas included the environment, food security, financial literacy, human and civil rights, and child abuse prevention.

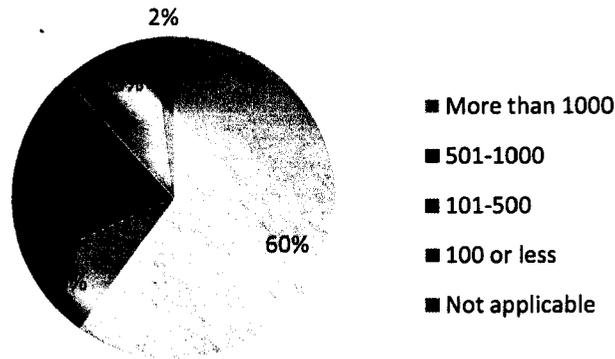
Over two thirds of the respondents are organizations that provide direct services to clients. Over half are actively engaged in education and public outreach.

What are the primary and secondary focuses of your activities?



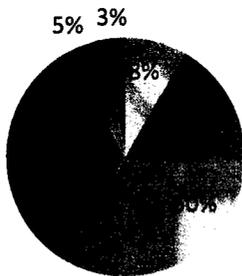
In describing the primary clients they served, more than a third listed the general public (36.7%), children and youth (37.3%), and/or low-income people (36.1%). The respondents could select more than one category, so these categories should not be considered mutually exclusive. Respondents also identified their primary clients as families (29.7%), Non-English speaking (17.7%), homeless (14.6%), and immigrant and/or refugee (13.3%). Most of the organizations serve more than 1000 people per year.

Approximately how many individual clients/constituents does your organization serve in a typical year?

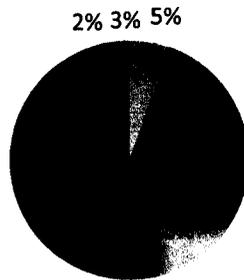


The responding organizations ranged from very small to quite large, both in terms of the size of their budget and in the number of staff employed. As would be expected for the nonprofit sector, there tends to be a smaller number of staff compared to the number of volunteers. The charts below show the percent of respondents with the number of staff or volunteers indicated.

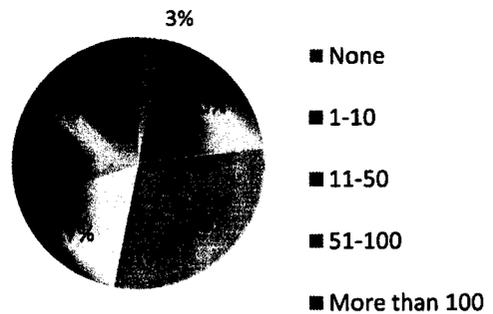
Full-time Employees



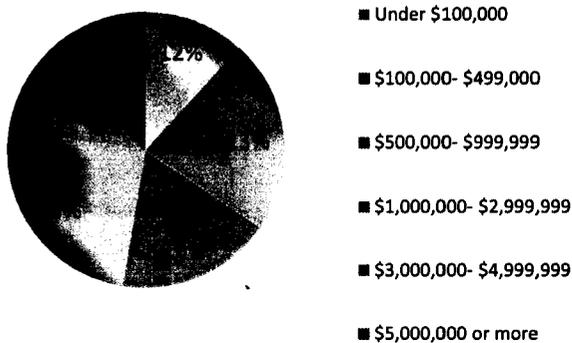
Part-time Employees



Volunteers

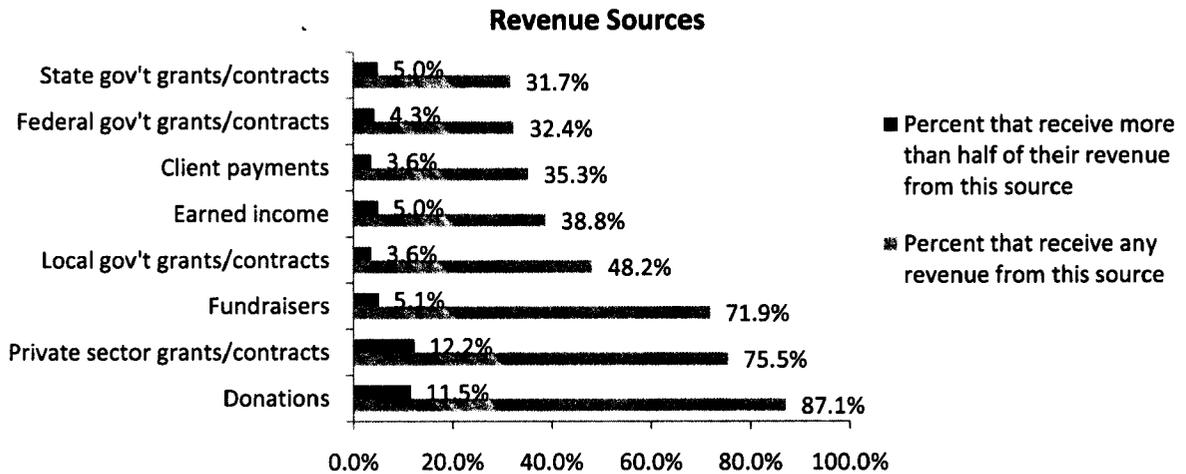


What is your organization's annual budget for FY 2008?



Most responding organizations receive at least some portion of their annual budget from donations, private sector grants and fundraisers. And, although a few organizations get all their funding from a single source, most rely on multiple funding sources. However, over half of the respondents receive more than half of their revenue from a single source.

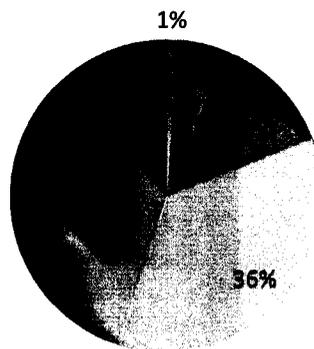
The chart below shows the percentage of organizations that claim that at least some of their revenue comes from each source and the percent that receive more than half their income from a single source.



Most of the responding organizations have been in operation more than 10 years (81.2%).

How long has your organization been in operation?

“Without question, this is the worst economic climate we have experienced in 30 years.”



- 1-2 years
- 3-5 years
- 6-10 years
- 11-25 years
- 26-50 years
- more than 50 years

*“The nonprofit sector is going to have to work much harder than it ever has and **Board members must become more actively involved** in their non-profits.”*

*“Many of us safety net providers have been struggling along to make do with what we have for over a decade. The difference is that the economy has pushed more of the middle-class into our client population area and has pushed the poor further down the ladder while cutting their safety net. **Talk to us. Help us.**”*

*“**Investing** in solid nonprofit organizations, like ours, is vital to the economic stimulus we need to get our community, state, and country on track.”*

CONCLUSION

With coverage of the economic downturn focused on banks, mortgage lenders, corporations and individuals, it would be easy to overlook the impact of the economy on the nonprofit organizations that are called upon to help people in need. Nonprofit organizations, often in partnership with government and corporations, help feed the hungry, shelter the homeless, support foster children, brighten our lives with cultural events, protect the environment, and provide health care and education.

Based on the responses to this survey, it is evident that the nonprofit sector is already experiencing the double whammy of reduced income and increased demand for services. They are responding as best they can – by reducing costs, tapping reserves, and seeking more revenue. Most are resisting pressure to reduce services, especially in the face of increasing demand.

As with other sectors of the economy, nonprofit organizations face enormous challenges posed by the structural changes of the economic downturn. But with challenges may come opportunities, and nonprofit executives and boards must seize these opportunities to build new partnerships, improve their marketing, identify new donors, and work more efficiently. As the public becomes more aware of these challenges and the important role of the nonprofit sector, there is also an opportunity for those who can to help more, by donating more money or giving more time. Based on the survey responses, we can expect nonprofit organizations to be more visible in their search for support to sustain operations. Corporations and individuals are encouraged to research and engage with the nonprofit organizations that fit their interests and needs and invest accordingly.

The Orange County Funders Roundtable is a funders collaborative committed to promoting philanthropy and building capacity in the nonprofit sector of Orange County.

This survey was conducted for the **Orange County Funders Roundtable** by **The Olin Group**, a consulting firm that offers strategic planning, evaluation and business development services to organizations that promote social change.

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Local Funders. Regional Impact.

