

2009

A Snapshot View of Nonprofit Organizations in the Sacramento Region

Report of Second Survey Results

Conducted by the Nonprofit Resource Center, El Dorado Community Foundation,
Placer Community Foundation, Sacramento Region Community Foundation

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Introduction

America's charitable community plays an indispensable role in improving communities across the country and around the world. Whether caring for victims of natural disasters, stimulating creativity in the arts and sciences, protecting free speech, or supporting the vulnerable and needy, nonprofit organizations are critically important to our nation's wellbeing.

Independent Sector, March 2009

In this time of economic uncertainty, the nonprofit sector and the philanthropic community must work together to serve the community. In order to do so, timely information and data is critical to inform programs, initiatives, and the distribution of resources. The Nonprofit Resource Center, in partnership with the El Dorado Community Foundation, the Placer Community Foundation, and the Sacramento Region Community Foundation issued an on-line survey in August 2009 as a follow up to one that was issued in January of the same year.

This report¹ provides a snapshot of what a sampling of nonprofit organizations are doing to operate in the current economic climate. It is meant to be used as a basis for discussions or as an input to assist with planning. Although the responses do not provide conclusive evidence of the operations of nonprofit organizations, they do provide a glimpse of the resiliency of nonprofit organizations.

The key theme that emerged from this survey is that nonprofit organizations are doing their best to focus on their core mission and add value to the community by being smarter – more effective and efficient in their fundraising, operations, and outreach – than ever before. The recurring advice included:

1. Stay true to your core mission, services, and values.
2. Become as efficient as possible. Assure quality in all you do.
3. Be flexible and look for opportunities. At the same time, be prepared.
4. Continue to market the organization – tell your story and raise visibility.
5. Work with others.
6. Take the long view. Do not give up. Stay positive.

¹ The survey and report were prepared by Yumi Sera, Program Officer, Sacramento Region Community Foundation, 9/9/09. For more information, contact Yumi Sera, yumi@sacregcf.org.

Methodology

The original on-line survey was issued in January 2009. This follow-up survey used the same questions with a few changes to get more specific responses. It was disseminated by the Nonprofit Resource Center using their database of 730 CEOs or Executive Directors of nonprofit organizations from the four-county area, El Dorado, Placer, Sacramento, and Yolo. In addition, the Placer and El Dorado Community Foundations, as well as the Sacramento Metropolitan Arts Commission (SMAC), sent the survey to their constituencies.

The survey was open for three weeks between August 12 and September 2, 2009. One hundred four responses (less than 15% response rate) were received. The timing of the survey at the end of summer may be one of the reasons for the low response rate. The report was undertaken despite the low number of responses because of the richness of the anecdotes provided by the respondents.

Profile of Respondents

American's charitable sector provides a variety of programs to serve the public need. Nonprofit organizations are comprised of varying budget and staff sizes and employ different approaches to serve the community. They serve all types of clients or audiences that vary in age, ethnicity, disability status, and family status. The profile of respondents show the variety of programs this sector offers, from the arts to direct social services (see chart 1 indicating the respondents' primary area of service)².

The profiles of respondents in the two surveys are similar in regards to the location of their offices, the county in which they work, and their budget size. Seventy-five percent of the respondents said that their work impacts Sacramento County, while 35% impact El Dorado, 48% impact Placer, and 35% impact Yolo. Organizations may serve multiple counties.

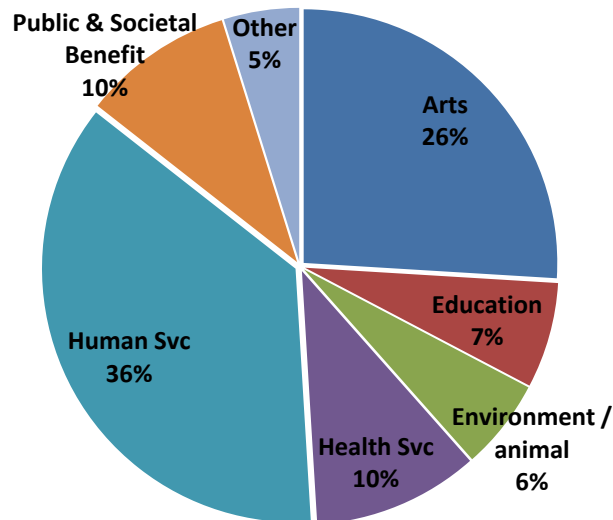
Seventy-one respondents (68%) have offices located in Sacramento County.

Over a third of the respondents indicated their budget is from \$100,000 to \$500,000; a quarter indicated their budget is from \$1 to \$5 million.

As in the previous survey, the majority of the responses (almost half) were from health and human services organizations.

In this survey, a fourth of the respondents (or 27 organizations) represented arts, culture, and/or humanities organizations. The increase in this number from the last survey may be attributed to the survey dissemination by SMAC.

² The categories for areas of service were changed from the first survey to differentiate the areas more clearly. The categories are based on that used by the Independent Sector.

Chart 1: What is your primary area of service?

Changes in Organizational Revenue

This survey was intended, in part, to gauge the responses between the projected (reported in January's survey) and actual (reported in September's survey) changes in the organization's revenue. Although the comparison of the two surveys may not be statistically relevant, an interesting difference was observed in the number of respondents who said that they projected that their revenue will increase or decrease versus the actual increase or decrease. In January, 41% indicated that they expected their organization's revenue to decrease. For the same time period, the actual decrease indicated by this survey was 69%. Twenty-two percent projected an increase in January, but the actual increase indicated from this survey was 15%. The difference between projected and actual revenue changes may be attributable to the types of organizations that responded. However, it would be important to watch the trend line to see if there is an actual decrease in revenue streams among nonprofit organizations and whether nonprofit executives are able to project and plan for these changes.

Careful attention should be paid to financial planning and accounting in order to understand the potential risks and opportunities associated with the uncertain revenue sources. Creating different scenarios for budgeting would be a good practice in the budgeting process. These scenarios could help weigh the pros and cons of specific activities or services and their financial and programmatic implications.

Funding Sources

The majority of respondents (73%) rely on government funding, out of which 50% rely on funding from the county (see chart 2 for the type of government contracts the respondents rely on). As compared to 2008, 40% of respondents indicate that county funding has decreased and 35% say that city funding has decreased. Given the timing of the survey, the full impact of the cuts in government funding may not be manifesting itself in this survey.

Slightly over half of the respondents do not rely on foundation funding, but 55% are pursuing foundation sources in 2009. At the same time, 34% of respondents indicated a decrease in foundation funding.

As compared to 2008, over 50% have increased their fundraising efforts for foundation grants, individual donations, and corporate giving or sponsorships.

The majority of the respondents reported that they have seen a decrease in all of their funding sources (see chart 3). Individual donations show a slight increase for 18% of the respondents which may be a result of the augmented fundraising efforts that were also cited.

Box 1 provides a comparison to national data for funding sources of nonprofit organizations based on their area of service. The sample size for this survey was too small to indicate any differences in the different sources of revenue by type of nonprofit organizations. However, any subsequent survey could look at this kind of data to determine if there may be varied tactics to employ for generating income.

Box 1: Primary Source of Funding

National statistics from the Independent Sector provide data for the primary sources of funding for selected sectors. These differences may also be reflected in this survey's responses, as well as provide some hints on how to approach fundraising and technical assistance for the different types of nonprofit organizations.

- Government is the primary source of revenue for human services (52%)
- Dues, fees, and charges are the primary source of revenue for education (56%) and health (47%)
- Charitable contributions are the primary source of revenue for the arts (44%)
- Charitable contributions are the primary source of revenue for religious organizations (95%)

Source: Weitzman et al. The New Nonprofit Almanac & Desk Reference, 2002 (Washington, DC: Independent Sector, 2002).

Chart 2: What type of government contracts or funds do you rely on for your revenue? (select all that apply)

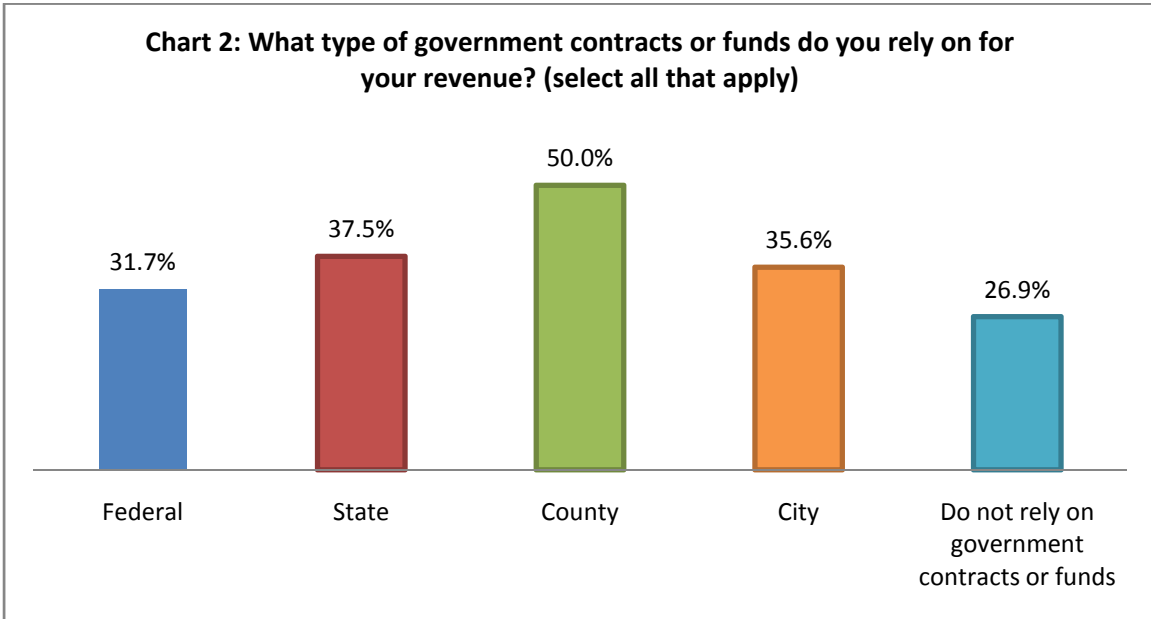
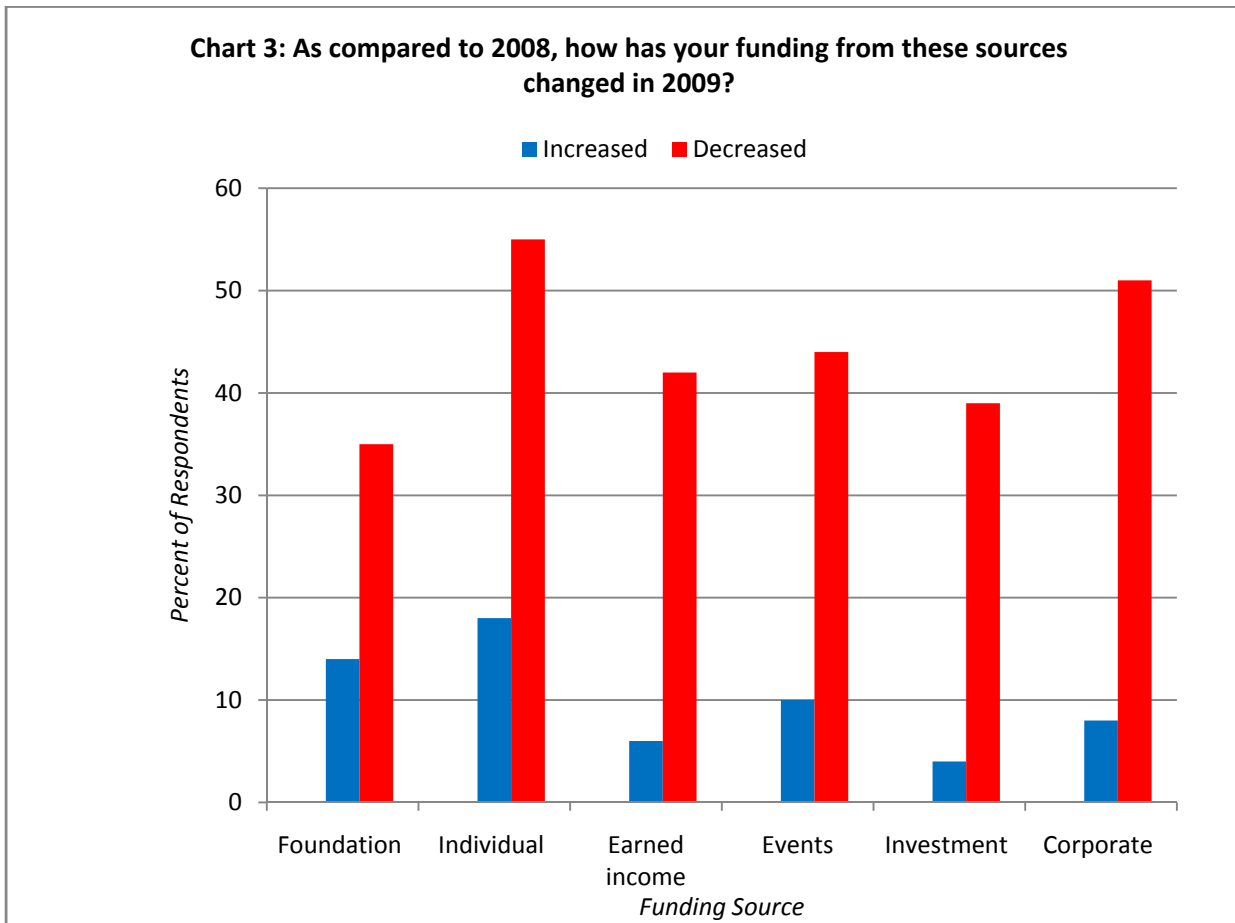


Chart 3: As compared to 2008, how has your funding from these sources changed in 2009?



Trying New Tactics while Refocusing on the Mission

Uncertain times seem to breed new and creative ways of doing things. The majority of the organizations made some change in their tactics and internal operations in order to adapt to changes in funding as well as to meet an increase in demand. Although many say that it is still too early to assess the impact these changes made, some remain optimistic -- “not much impact yet, expect greater future returns.”

Over half of the respondents said that they changed their marketing and communication tactics to increase their visibility. Although the added visibility did not always lead to an immediate impact on the funds raised, some of the organizations said that the awareness created new partnerships, and brought in new donors and volunteers. Organizations commented on how they saw themselves and their changes within the context of the community they serve:

- *We gained visibility and respect within our community.*
- *The visibility helped us to solidify our unique role in the community and to prevent funding cuts.*
- *We strengthened and deepened relationships with existing constituencies.*

Forty-five percent said that they changed their fundraising tactics and a similar percentage said they partnered with another organization. Examples of tactics include: using the internet for on-line donations, adding more experienced board members, partnering with other organizations at different levels (e.g., local, state) for different purposes, outsourcing CFO and HR duties, and maintaining good relations with locally elected officials. Although some of the organizations expressed frustration about their “survival,” many of the respondents expressed positive results or anticipation of good results:

- *We made sure we were more visible and we increased our exposure to foundations, municipalities, individuals, companies, service clubs, and corporate sponsors.*
- *Results are not in yet, but we anticipate growth through new partnerships.*

Arts organizations in particular may have unique strategies to increase their audience by improving their marketing and communication abilities. For the arts, increased visibility through savvy marketing and communications can help to increase audience, which could in turn bring in new contacts and potential donors. For example, touring outside the county allowed an arts organization to continue earning income. Another organization partnered with another dance company, while others jointly sponsored activities or shared storage space to reduce costs. A lesson learned that could be applied to other circumstances is:

- *Downsize special events and focus on quality, not quantity.*

A third of the respondents said that they refocused their organizational mission or strategy. The comments reflected a need to maintain a clear focus on the mission, while “reevaluating community needs and making changes when necessary.”

Some good mantras for the nonprofit sector include:

- *More focused energy, less spinning wheels.*
- *Focus. If you have too many priorities, you have no priorities.*
- *Stay on the mission, the actual task that the organization was created for.*

Working More Effectively and Efficiently

Although organizations were forced to reduce their administrative costs (56%), cut back services and programs (36%), lay off staff (31%), or reduce hours (34%), there were some (16%) that increased their services to meet the demand. The specific comments reflect the sense that some organizations became more efficient through the bold and strategic steps that they took. According to one respondent, restructuring an organization allowed them to replace the workers who were “not pulling their weight with better performers.” Another commented that their agency needed to change. On the other hand, some organizations commented on the low staff morale or anxiety about future cuts.

It is too early to tell what impact these cuts have had and the true impact may be seen in the coming year. For now, the comments throughout the survey echo a sense of resilience in nonprofit organizations, a determination to do better with less, and a vow to be more efficient and business-like in their planning. A recurring sentiment was:

- *Keep costs down to the public and internally, but still provide quality.*

Board’s Fundraising Activities

The intent expressed by 62% of the respondents in the January survey was to increase the board’s fundraising activities. Given what seemed to be a strong intent, this follow-up survey asked what specific actions the board had taken. Fifty-four percent of the respondents said that the board increased its fundraising activities, while 40% had not and 6% stated that the board had already been active.

For those boards that had increased their fundraising, many said that they have now made fundraising a main responsibility for each board member. The board was strengthened through training in development, recruiting new members, completing a fundraising plan, and increasing the outreach to new contacts. In many cases, board members are also now required to give and ask for funds, which is a priority for these boards.

Forty percent of the responding organizations increased their fundraising special events, which resulted in more social networking and board involvement. Some of the organizations did not organize more events, but instead improved the outreach and quality of the events they were already producing. According to one organization, the result is that they are now “poised for new initiatives to increase income through direct asks and events.”

For the forty percent of the organizations who responded that their board did not engage in fundraising, the most cited reason was that the board was hesitant to fundraise or that they were simply not a fundraising board.

Tips to Weather these Economic Times

The organizations provided strong pointers on what nonprofits should do to weather these economic times. The recurring advice included:

- 1 Stay true to your core mission, services, and values.**
 - Focus on core activities. Do what you do best.
 - Be open, transparent, honest, credible, and tap every source that comes your way!
 - Nonprofits must become hard-nosed businesses. A focus on serving clients and mission is critical, but this must be done in a fiscally responsible manner.
 - Implement a set of actions to focus and refocus on our mission and ‘out-create’ the negativity. Otherwise, we are betraying the trust of those who rely on us for our messages.

- 2 Become as efficient as possible. Assure quality in all we do.**
 - Cut administrative costs if possible, stick to current programs, and don’t add new ones until things turn around.
 - Do what you do best with the greatest efficiency.
 - Rightsize without cutting into the bone of your key programs and in a way that is relevant to public benefit.
 - Follow the basic ABCs of fundraising’s best practices (i.e., thanking donors, stewardship, and communication). Don’t skip steps to cut corners.
 - Live within your means... watch the bottom line!

- 3 Be flexible and look for opportunities. At the same time, be prepared.**
 - The way it has always been done isn’t necessarily the way it needs to be done going forward.
 - Find creative ways to continue funding streams.

- Emphasize fundraising and cultivation of donors and building relationships. Be aggressive with stewardship. Be poised to solicit when the economy turns around.
- Look at everything you do with a new set of eyes, think outside the box, and always have a contingency plan.
- Assess practices, reevaluate community needs, and make changes when necessary.

4 Continue to market the organization - tell your story and raise visibility.

- Communicate the benefits and outcomes of our work.
- Let your customers know about your accomplishments. Stay close to your customers.

5 Work with others.

- Be honest with your constituents on the challenges facing the organization. Work with them to come up with solutions.
- Engage the team in solution development. Partner and cooperate as it makes sense to serve mutual interests, increase visibility, and benefit the public.
- Let people know you need their help.
- Collaborate more (with resources and grants). We all seem to want to meet the needs of the same clientele. Many organizations are serving the same low-income population, but fighting with each other for so little funding.

6 Take the long view. Do not give up. Stay positive.

- We can weather the storm but we must be resourceful. We must not cut services and take the easy way out. We can do it!

Conclusion

The intent of this survey was to take the “pulse” of how nonprofit organizations were coping with the economic downturn, especially with the decrease in funding streams. The surveys in January and August brought out the strengths of the nonprofit organizations, showing how nonprofit leaders are adapting and creating innovative solutions even when times are tough. Comments reflected a determination to become more efficient, but still remain effective and relevant to the mission of public service.

These results will serve as a baseline for future surveys to monitor the health of the nonprofit organizations in the Sacramento region. The information will be made available to the nonprofit sector, as well as to the media, funders, and other stakeholders. The report will be shared with nonprofit executives at an up-coming “Giving USA” conference to explore local implications of national giving trends.

The report can be used as an input to shape and inform programming for funders, nonprofit organizations, and other stakeholders. Data can be a powerful input for planning and organizing as multi-stakeholders come together to devise innovative solutions to cope and adapt to a time when resources are scarce and need is growing.

The plan is to issue a third survey at the beginning of 2010 to continue to monitor the health of the nonprofit sector. The hope is that there will be a critical mass of organizations who would be interested in the survey to provide meaningful feedback to the public.