

2013 State of the Nonprofit Sector Survey Results

March 2013

Learn more at <http://nonprofitfinancefund.org/survey>

Data is based on a nationwide survey of nonprofit leaders conducted by Nonprofit Finance Fund, January-February 2013.

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5983 Nonprofit Leaders Share Their Stories of Challenge and Adaptation



“I call it the “resource reversal”: our biggest challenge has been the reduction in funding and other resources available to us and our clients at a time when due to the economy, the needs are greater than before. We are looking at a variety of partnerships and collaborations, outreach and referral, and possible program expansion to respond to the challenges.”

-Human Services NPO, ID

“We have been responding to the economic downturn by shrinking our services, but in the past year we are turning around and becoming more integrated into the lives of the communities we serve by collaborating with local organizations and raising our visibility. We are in the process of effecting an organizational turn-around by building our board, increasing our visibility and proving the importance of the arts to the economic prosperity of the communities we serve.” -Arts, Culture & Humanities NPO, CT

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We Cannot Afford to Ignore the New Economic Reality

- Need continues to rise, and it's harder than ever to keep up
- Some organizations are seeing slight financial improvement, but the overall situation is still tough
- Organizations are adapting to the new environment with a mix of creativity, determination and sweat equity

“[Our greatest challenge is] demand for expanded services with limited financial resources to support current/expanded services. Internal challenges with staff morale - staff have not seen salary adjustments in 3 years and have assumed additional expenses for health insurance and payroll taxes.”
-Human Services NPO, FL

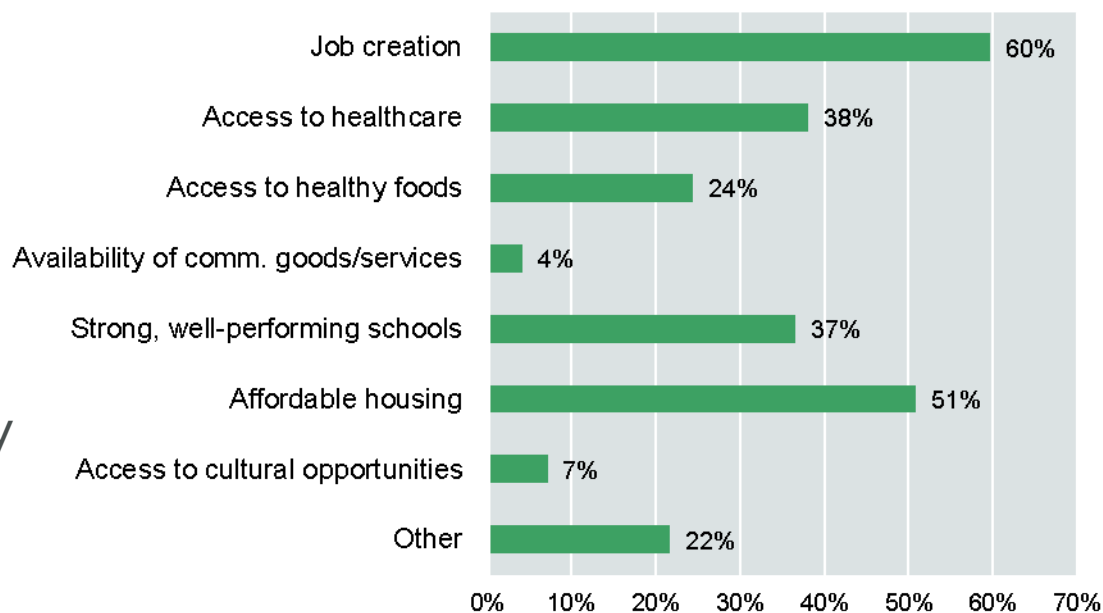
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Nonprofits' Clients, Particularly in Low-Income Communities, Continue to Be Vulnerable

- 90% of all survey respondents say things will be as hard or harder for their clients in 2013... and this is a slight improvement from prior years' outlook!
- Jobs and housing continue to be primary concerns for those in low-income communities

Top needs identified by NPOs serving/located in low-income community

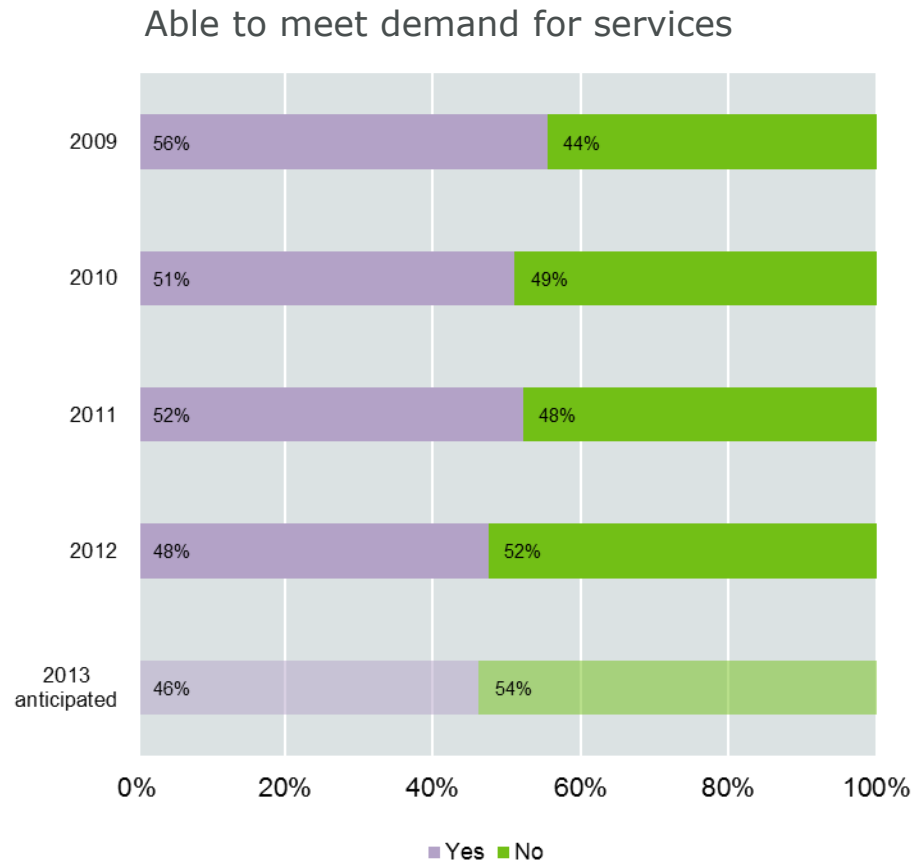


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Demand Rises Again for 3 out of 4 Nonprofits; Over Half Can't Meet the Need

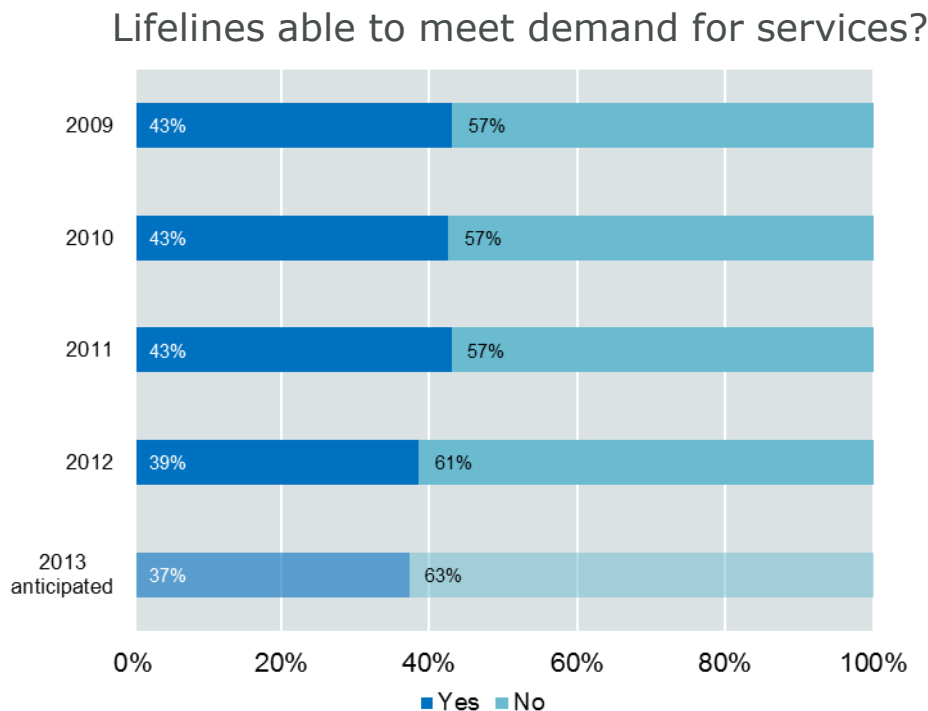
- 78% of respondents saw an increase in demand for services in 2012
- 85% expect demand to climb again in 2013
- Over half couldn't meet demand in 2012, and probably won't be able to in 2013, either. This represents a worrying trend.



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'Lifeline' Organizations that Provide Critical Services Are Struggling Even More



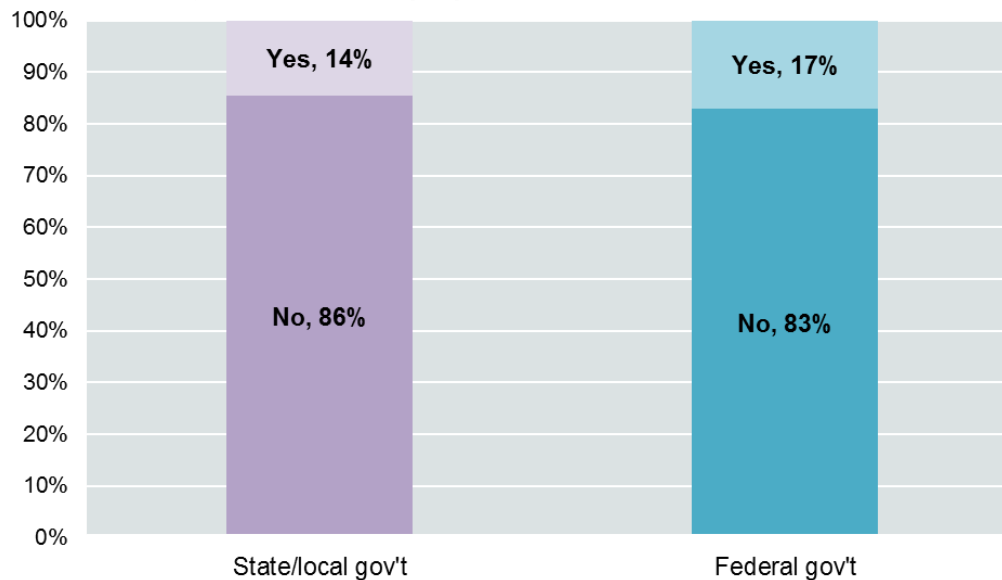
“We are seeing an increasing need for food assistance among families that never before have accessed services. Many are currently working but not receiving wages high enough to make ends meet. Our organization has worked hard in the last 3 years to increase our food sources and capacity to distribute food to help alleviate the hunger need in our community. We have also significantly increased our efforts to enroll people in food stamps as a way to provide them with more resources for their household...”

-Human Services NPO, FL

Government Support Rarely Covers the Full Cost of Contracted Services...

- 29% of respondents received Federal funding,
- 47% received state or local contracts.
- 1 in 3 organizations received less gov't money in 2012 than in 2011

Does government pay the full cost of services?



Why We Need Gov't Funding

- From 2007-2010, the number of Americans living below the poverty line rose from **44.4 million to 47.3 million.**
- **1 in 45** children in the U.S. was homeless in 2010.

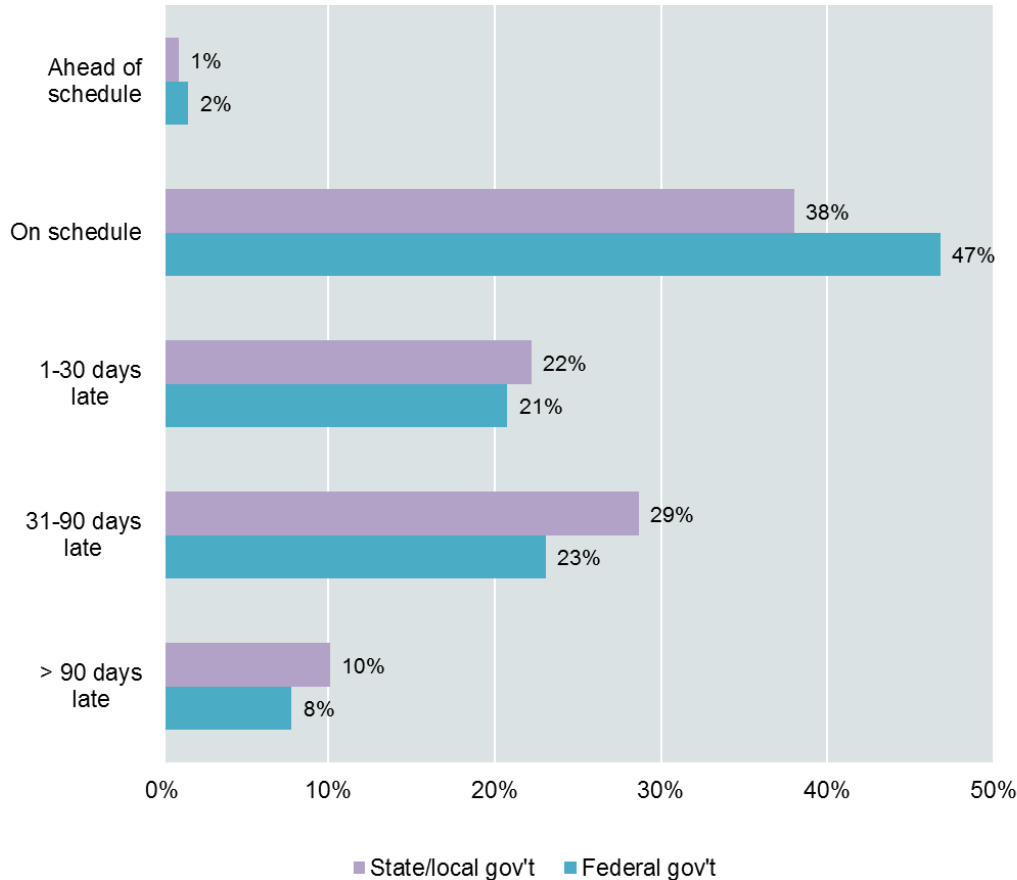
Source: Center on Budget and Policy Priorities

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...And Is Late for the Majority of Recipients

When do you receive payment from the gov't?



"We are funded by the State of Illinois... We cannot get our funds paid without 6 months' delay from the state. Then you have to use a lobbyist to even get the state to pay out on its debts. We have to demonstrate that we have exhausted all reserves, completely maxed out on line of credit, and show that we cannot make the next payroll before Illinois will even pay us the money owed to us..."

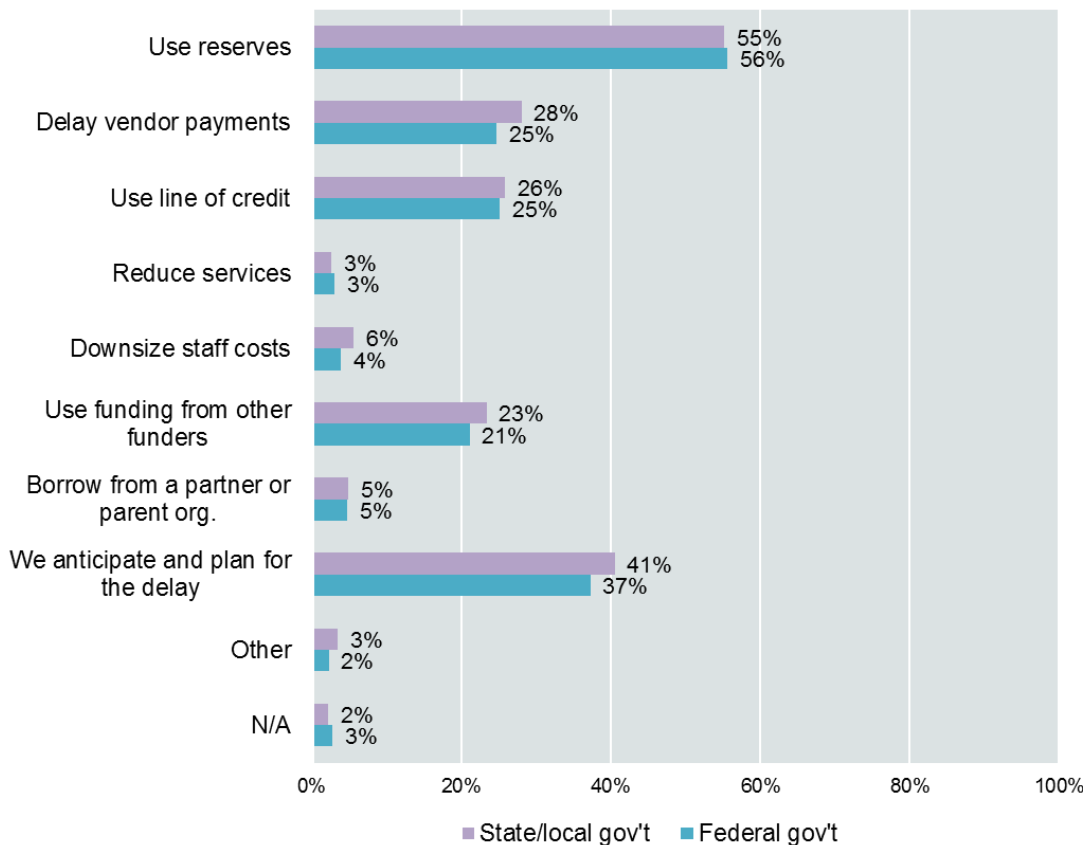
-Human Services NPO, IL

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How Are Organizations Dealing with Cash Flow Issues from Gov't Delays?

Responding to Delays



“[Our greatest challenge is] delayed grant payments, some as old as 3 years. We had taken a hit on reserves in 2010 and since then we anticipate the delays and use short term lines of credit to get over the low points.”

-Financial Crisis Counseling
NPO, NJ

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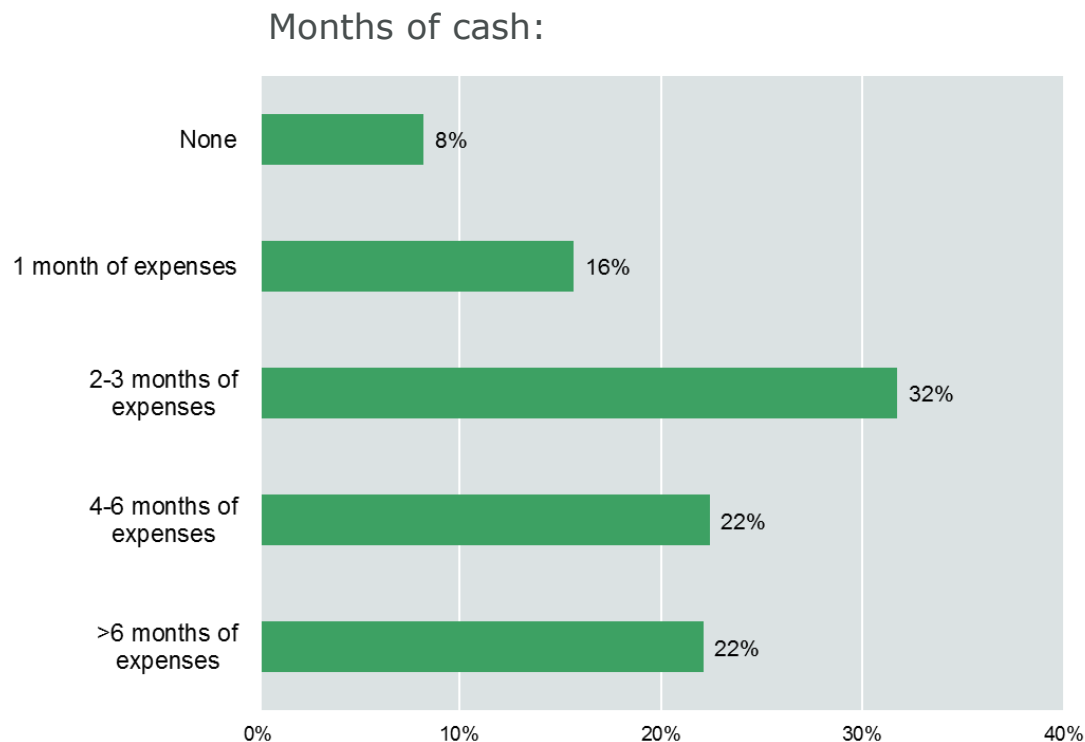


Most Nonprofits Get by With Little Cash on Hand

The less cash on hand, the greater the danger when revenue is late or unreliable.

Some organizations are still struggling:

- 29% of organizations had a deficit in 2012
- 31% broke even
- 40% had a surplus

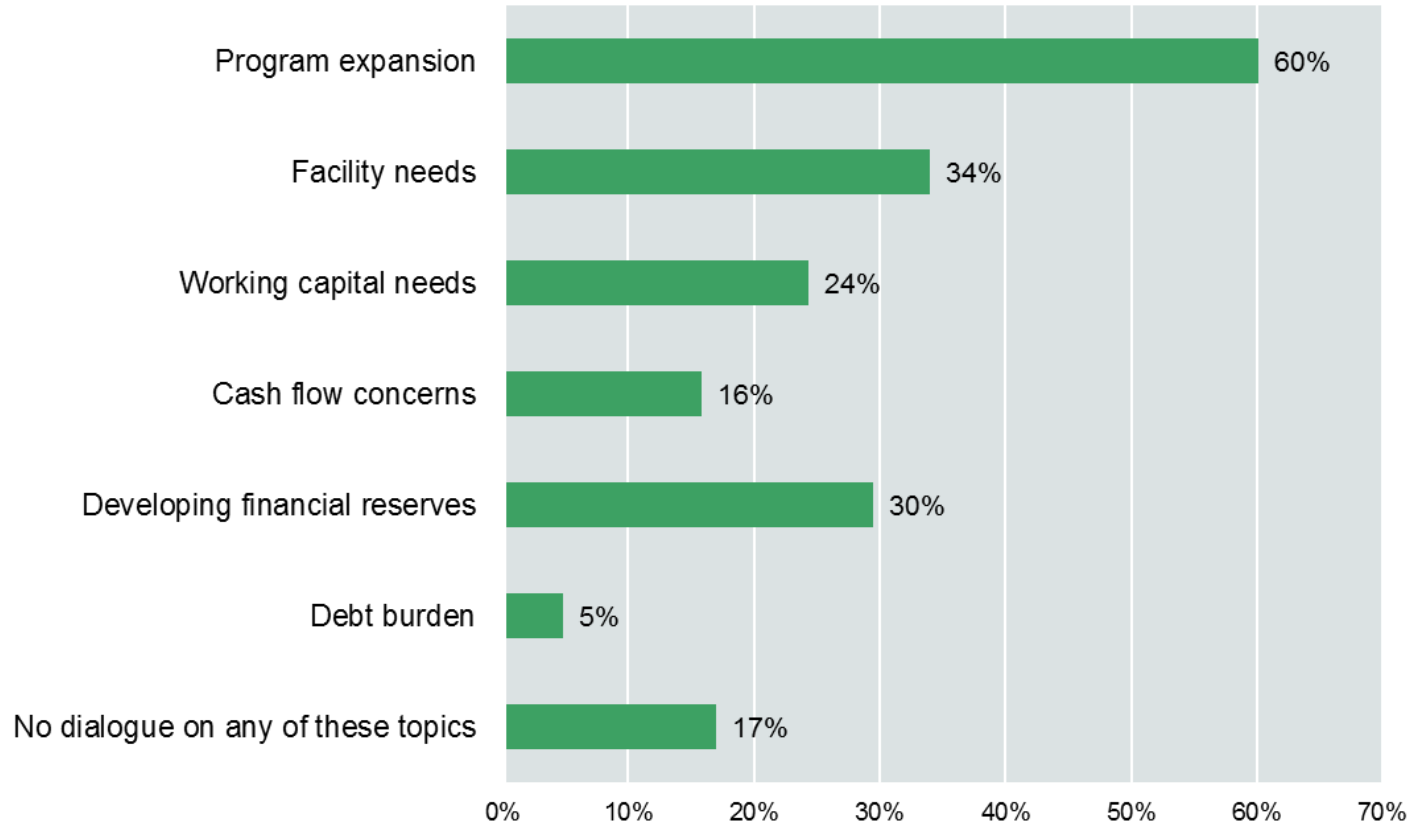


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Too Many Nonprofits Feel Uncomfortable Discussing Core Financial Needs

My org can have open dialogue with funders about:



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Despite Financial Strain, Nonprofits Are Not Shrinking from Challenge of Increased Need



Doing More With Less

- 49% added/expanded programs
- 41% increased the number of people served
- 15% expanded geographies served

“Our state is in the process of merging the mental health and substance abuse entities which have been separate up until now... We are assertively advocating to continue to provide wrap around services and to keep block grant funding for when insurance "drops" or in between applying and receiving State Medicaid. We are openly optimistic about expanding services and are working on the development of a chronic health home for mid CY 2013; [we] have plans to open a primary care clinic and mental health clinic within our substance abuse clinic in the next 1-2 years.”

-Human Services NPO, MD

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The Sector Is Trying New Ways of Working to Keep Services Flowing

“Our organization is in its 2nd year after the successful merger of 5 literacy providers. Programs are running great. Management and board are working together well. However, the merger was under funded, and we are struggling to rebuild prudent reserves used to cover the year one deficit. Though all our funders thought the merger was a brilliant idea, only a few followed through to assist with merger and infrastructure costs.”
-Education NPO, AZ

- 39% partnered with another NPO to improve/increase services
- 16% partnered to reduce administrative expenses
- 30% upgraded technology to increase or improve *services*
- 39% upgraded technology to improve *organizational efficiency*
- 43% advocated to government on behalf of their organization’s cause

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And Nonprofits Are Seeking New Types of Funding to Improve Sustainability

“We face potential threats to our Medicaid funding as well as to state service contracts... We are seeking to broaden and diversify our public support by participation in new funding strategies including Social Impact Bonds/Pay for Success Contracts, Money Follows the Person, and the Massachusetts newly developing Integrated Care Organizations. We are also partnering with another agency on a new fundraising event.”

-Human Services NPO, MA

- 42% don't think they have the right mix of financial resources to thrive and be effective over the next 3 years
- 24% changed the main way in which they raise and spend money; 39% will do so in 2013
- 19% sought non-traditional funding, such as loans or other investments; 23% will do so in 2013

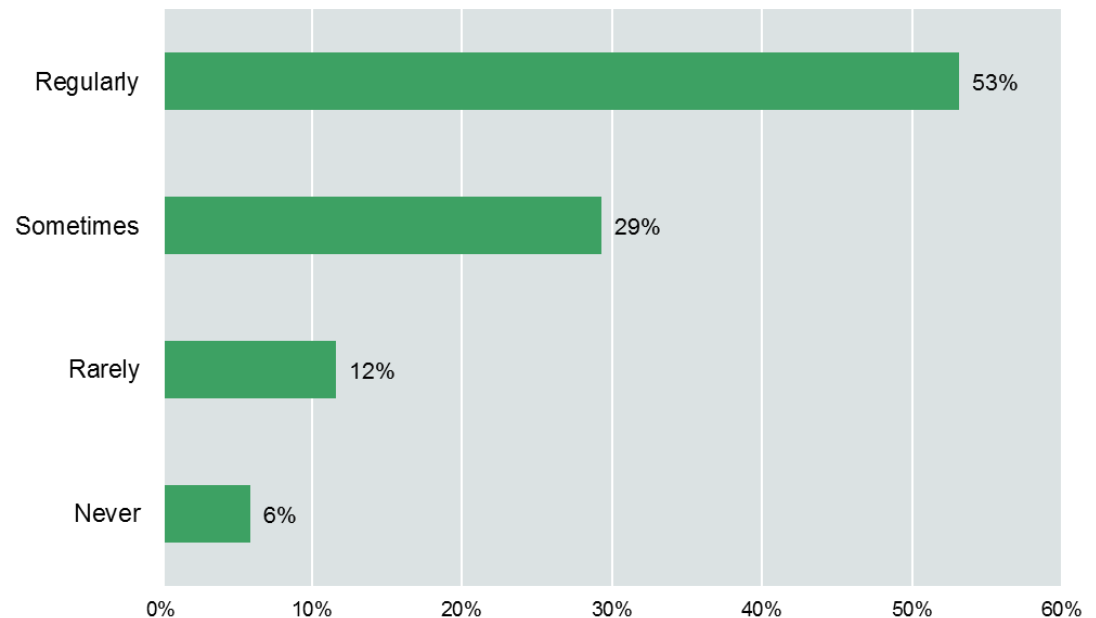
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They Are Responding to the Call for More Impact Measurement...

- In 2012, 54% of survey respondents were asked by funders to measure their long-term impact
- Over half regularly measure long-term impact

How often does your NPO collect data on the long-term impact of programs?

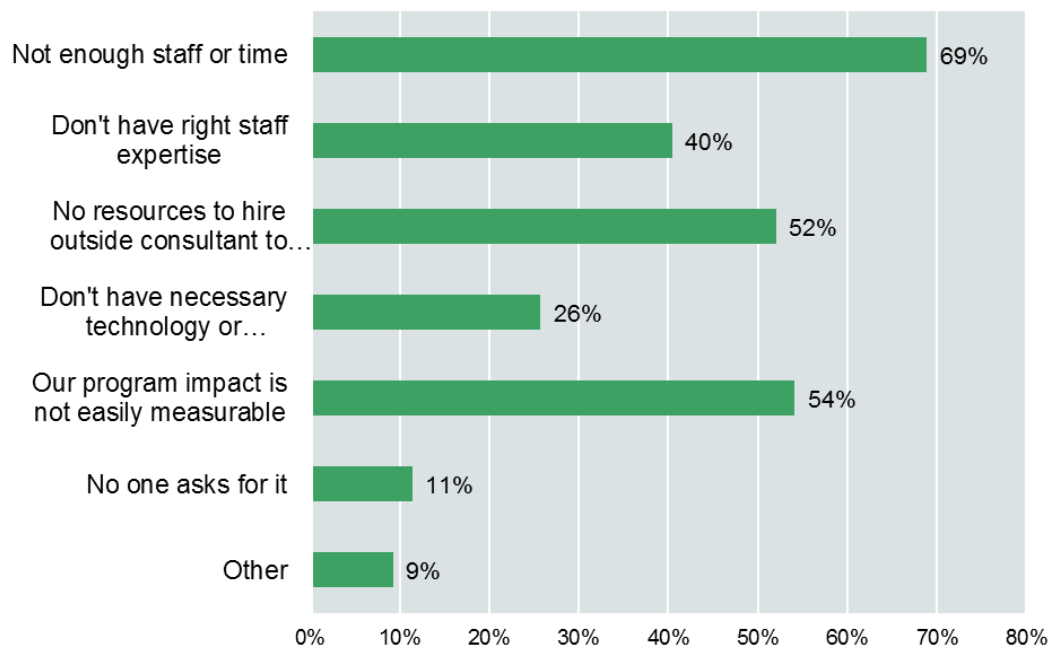


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...Although for Many, It Is Not Easy to Do So

What prevents regular data collection on your long-term impact?



“It’s impossible to collect [long-term impact data] due to safety concerns of clients.” –Public/Societal Benefit NPO, MN

“It’s expensive to do in the right way.” –Arts, Culture & Humanities NPO, NJ

“Due to our client base (homeless) it is difficult to track them long-term.”
–Human Services NPO, NC

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The organizations that will continue to thrive and be effective are those that respond nimbly to the changed environment. They are:

- Measuring (and sometimes improving!) impact
- Partnering to deliver services
- Shifting their business models
- Communicating needs clearly and frequently

They are open to new ideas, partners, and funding sources to help address their cause, and to allow them to invest in themselves

“[Our greatest challenge is] the uncertainty of government funding, particularly on the local level, due to a paradigm shift of homeless services in our community. We lost over \$300K in operational funding. We are strategically planning a more equal balance between gov’t funding and private funding, including the creation of a Social Enterprise Department.”
–Human Services NPO, FL

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...And to Create a System that Builds a More Just and Vibrant Society

“Business as Unusual” is Required to Set Sector on Sustainable Path

Complete Capital



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Organizations Are Struggling with a Difficult Funding Environment

“Our biggest challenge is increased demand for services and less funding. For the most part, funders... only want to fund "new and innovative programs"... They don't usually want to help with existing programs- even if they are successful and have lots of data behind them. They want to build a new mousetrap and save the world with one year of funding. I refuse to apply for these grants because they are unrealistic. Just setting up a new program and hiring staff can take 3-4 months. Then you have to let staff go when the grant ends. Hiring under these circumstances is impossible- and I refuse to lay people off because of requirements like these. We are also frustrated with funders insisting on us being able to outline how we will fund a program after a grant runs out. If we had the money, we wouldn't need a grant.” -Health NPO, OH

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We Must Support Nonprofits' Efforts to Adapt and Thrive in a New Reality



We can all support nonprofits' efforts to:

- Use data to find out what's working and what's not in programs
- Explore collaboration, learn from colleagues, replicate what works
- Invest in building expert internal staff and calling on outside expertise when appropriate
- Adapt financially and achieve sustainability by:
 - Examining and shifting business models
 - Identifying and readying themselves to take on new types of funding
 - Doing scenario and strategic planning to be ready for change

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- nonprofitfinancefund.org/survey

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- survey.nonprofitfinancefund.org

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