“PERFECT STORM” OF FISCAL STRESS HITS NONPROFITS

Eighty percent of nonprofit organizations are experiencing fiscal stress according to a survey released today by Johns Hopkins University, and close to 40 percent of them reported that this stress was “severe” or “very severe.” Theaters and orchestras were particularly hard hit, with nearly 75 percent of the former and half of the latter reporting “severe” or “very severe” stress.

Contributing to this stress has been a perfect storm of impacts including declining revenues (51 percent of organizations); increased costs, particularly for health benefits; declining endowments; and decreased cash flow as a result of restricted credit and government payment delays.

The 363 organizations that participated in the survey as part of the Johns Hopkins Nonprofit Listening Post differ widely in size, cover all regions, and represent a diverse array of fields, including children and family services, elderly services and housing, community development, education, arts and culture, and others.

Despite the dire challenges, more than two-thirds of the organizations indicated that they have been “successful” or “very successful” in coping with the current fiscal crisis. This is consistent with experience in prior recessions, during which nonprofits boosted employment while for-profit employment declined. This suggests that nonprofits are a counter-cyclical force in the economy.

“Our nation’s nonprofit organizations are displaying exceptional resilience in the face of enormous fiscal challenges,” said Lester M. Salamon, director of the Johns Hopkins Center for Civil Society Studies, which conducted this survey as part of its Listening Post Project. “Nearly three-fourths of the organizations reported being able to
maintain or actually increase the number of people they serve, and this was especially true of service to vulnerable populations.”

To achieve this result, nonprofits have displayed unusual resolve and launched inventive coping strategies:

- Well over half of all organizations have launched new or expanded fund-raising efforts, targeting individuals, state and local government, the federal government and foundations.
- Substantial proportions of organizations are tightening their belts further, cutting administrative costs, creating collaborative relationships with other nonprofits, instituting salary freezes, postponing new hires, and relying more heavily on volunteers.
- Substantial numbers are also stepping up their marketing and their advocacy.

Additional findings of this survey included:

- While cultural institutions have been particularly hard hit by the recession, a third or more of child-serving and elderly-serving organizations also reported “severe” or “very severe” fiscal stress.
- Beyond the 51 percent of responding organizations that reported declining revenues, a substantial majority also anticipated further revenue declines over the coming months, particularly from private giving and government support.
- Among revenue sources, losses were particularly widespread from individual contributions (losses for 53 percent of organizations), corporate contributions (losses for 44 percent of organizations), and foundation support (losses for 42 percent of organizations).
- Reflecting their heavier reliance on donations, theaters and orchestras saw the worst revenue losses, with close to 80 percent of the theaters and 70 percent of orchestras reporting losses.
- Government support, which plays a larger role than philanthropy in the funding of nonprofits, declined at fewer organizations, but more than a third (35 percent) of organizations experienced declines in this important source of support, as well, and over 40 percent reported delays in government payments.
- More than half (57 percent) of organizations experienced increased health benefit costs, underlining the importance of health benefit reform for nonprofits.
• Nonprofits were also affected by the general collapse of investment asset values. Among the organizations that have endowments, 80 percent reported that they had decreased in value.

• Despite these realities, 73 percent of responding organizations reported being able to maintain or increase the number of people they serve, and for organizations serving vulnerable populations, this figure was even higher (96 percent for organizations serving people with disabilities, 92 percent for organizations serving the economically disadvantaged, 86 percent for organizations serving the elderly, and 82 percent for organizations serving children and youth).

“The news is mixed, at best,” noted Peter Goldberg, president and CEO of the Alliance for Children and Families and chair of the Listening Post Project Steering Committee. “Resilience in the face of crunching challenges inspires pride in the sector, but also a deep concern about future capacities of nonprofit organizations to fulfill their missions.”

The full text of the report “Impact of the 2007-09 Economic Recession on Nonprofit Organizations” is available online at http://www.ccss.jhu.edu.

The Listening Post Project is a collaborative undertaking of the Center for Civil Society Studies at the Johns Hopkins University Institute for Policy Studies, the Alliance for Children and Families, the Alliance for Nonprofit Management, the American Association of Homes and Services for the Aging, the American Association of Museums, Community Action Partnership, the Corporation for National and Community Service, League of American Orchestras, Lutheran Services in America, Michigan Nonprofit Association, the National Council of Nonprofits, and United Neighborhood Centers of America. Its goal is to monitor the health of the nation's nonprofit organizations and assess how nonprofits are responding to important economic and policy changes. For full details on the respondents to the present survey, see the website above. Support for the Listening Post Project has been provided by the Carnegie Corporation of New York, the Bill and Melinda Gates Foundation, the Ewing Marion Kauffman Foundation, the Kresge Foundation, the Charles Stewart Mott Foundation, the Rockefeller Brothers Fund, and the Surdna Foundation.

###

Johns Hopkins University news releases can be found on the World Wide Web at http://www.jhu.edu/news_info/news. Information on automatic E-mail delivery of science and medical news releases is available at the same address.