

Philanthropy Corner – Article #39
“This Is Not, In Any Way, Business as Usual”
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On the surface it looks like that time of year again---back to school, tropical storms, political campaigns are in full swing, and nonprofit organizations are releasing program schedules, announcing membership drives and sending invitations to fundraising events. It appears that it's business as usual, or is it?

Nonprofit organizations are being called upon to adapt to this new economic climate or some may perish if they continue their current practices. Nonprofit organizations are in a precarious state. According to research, one in three nonprofit organizations has had to trim operations. Eight in ten expect to run a deficit this year and thirteen percent worry they may not survive. Almost one third don't have enough cash to cover one month's operating expense. Smaller nonprofits, like most here in the Keys, were hit the hardest by economic conditions reporting cuts of more than twenty percent of their overall funding.

This deep recession is proving to be a triple-edge sword for nonprofits. Foundation assets declined along with the financial markets, charitable donations declined and demand for charitable services increased. This perfect storm is threatening America's social safety net. Last year foundations lost nearly \$150 billion in their investment portfolios, nearly as much as their total giving over the last four years. This year, foundation and corporate giving is anticipated to decrease between three to five percent. Sixty-seven percent of foundations expect a decrease in giving with bigger cuts looming next year. Both individuals and corporations are being more discerning and strategic about how they donate choosing the environment, education and basic needs such as food, shelter and clothing as top priorities. Arts and culture will be hit the hardest.

Even if the financial markets continue to recover and charitable giving picks up, experts predict that 2010 will present even greater challenges requiring new ways of operation in the nonprofit sector. A new environment is emerging with fewer nonprofits, increased need, reduced consumer spending and charitable giving, radically changed financial market, regulatory issues, and the integration of new media. The key to the future is not waiting for it to roll around, but to take a proactive role in creating it, according to Alan Kay, a guiding leader of Apple.

A number of foundations have already made changes in the way they operate to be better prepared for the future. While most foundations will not abandon their grantmaking priorities despite the severity of current economic conditions, the number and size of grants are predicted to be reduced this year and next. Foundation leaders throughout the country are convening with leading experts to examine how today's challenges will impact nonprofit leadership and governance. Many foundations have responded to the economic crisis by launching special initiatives and engaging in non-

grantmaking activities to fulfill their mission and minimize asset losses. The Community Foundation's Center For NonProfit Excellence and its accompanying programs is an example of similar programs across the country.

Nonprofit organizations are also being called upon to reinvent how they operate by focusing on what matters most, what they need to do to meet primary objectives, and which areas need to be eliminated. The goal is to minimize the impact of the economic downturn in order to maximize income in a rational manner. Nonprofit leaders and fundraising experts suggest that nonprofit organizations conduct a systematic evaluation of all their programs with an increased emphasis on sustainability, accountability, outcomes, and cost-effectiveness.

Rather than using the economy as an excuse or belaboring how fundraising efforts are suffering, now is the time for nonprofits to implement an integrated fundraising, marketing and communications program. Given the impact of the recession on the spending habits of individuals who are focusing on necessities and cutting back on dining out, shopping and recreation, fundraising activities need to be reexamined and restructured.

Effective fundraising practices instill donor confidence, prospect for and capture new donors, and communicate the case for support while increasing revenue. Caution is advised when cost cutting as new and different isn't always better than keeping successful programs that simply may need to become more efficient and effective to strengthen ties with donors. A strategic marketing and diversified fundraising strategy recognizes that a small number of donors typically account for eighty percent of net philanthropic revenue and allocates resources appropriately to maximize the return on investment. A significant gift from an individual major donor rarely has a high cost of fundraising.

The entire nonprofit sector is feeling the strain of the recession and many organizations are on the brink of survival. Continuing current practices will put our most valuable services and vulnerable populations at risk. Nonprofit organizations that seize this moment of change by being positive and proactive will weather the storm and yield long-term success. Effective, nimble and visionary business management must become the new business as usual for nonprofits.