

The Impact of the Economic Downturn on Non-profits and Giving in Greater New Haven April 2009



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The Community Foundation
for Greater New Haven

I. EXECUTIVE SUMMARY

*“There is no person, organization or company that is untouched by the global financial crisis--yet nonprofits tend to be more financially fragile than other enterprises. The archaic rules surrounding nonprofit finance mean they are often stretched to the breaking point, even in the best of times. **And so when an economic crisis hits, nonprofits must manage through the perfect storm: a decline in funding, no reserves, and an increase in demand for services.**”¹*

Each day of the economic crisis has brought with it different news as stock markets react to housing foreclosures, bank failures, changes in administration, federal stimulus package announcement, and bailouts. The Greater New Haven community has also been affected by this national recession. State and municipal budgets are being cut, the business community has been severely impacted and has curtailed its giving, foundation and private donor investments have been affected. In particular, the nonprofit community, which heavily relies on public funding, grants and individual donations, has seen budgets cut and payments delayed. The legislative process with respect to the state budget continues, as do the political negotiations involving the Governor and the legislative leadership. While it is unclear how the budget issues will be resolved, it is clear both the stakes for the non-profit sector in Greater New Haven are very large indeed and steps that are already being taken by state government are indicative of the potential damage to the work of non-profit organizations.

As an immediate response, in the fall of 2008, The Community Foundation responded to the crisis with a matching grant program to area nonprofits serving basic needs. Funding allocation was tripled from the previous year, matching grants were almost doubled, and requirements for the program were made much simpler. In addition, the Board agreed to increased flexibility in grantmaking, including conversions of multiyear program grants to operating grants if non-profits so requested. Operating grants would be especially encouraged in the 2009 responsive grantmaking process.² As The Foundation listened to the community it also took advantage of additional opportunities to act in support of the non-profit sector. These included consideration of the economic downturn when awarding small grants, communicating with non-profit executives on a regular basis about technical assistance opportunities, collaborating with Annie E. Casey Foundation on fundraising workshops, speaking at the Greater New Haven Chamber of Commerce non-profit forum, and organizing an educational forum on the federal stimulus package.

In order to understand better how the community was being impacted and how best to allocate resources in 2009, The Community Foundation for Greater New Haven gathered knowledge from non-profits, donors, financial advisors and national experts about the effects of the downturn.

¹ <http://www.nonprofitfinancefund.org/content.php?autoID=166>

² Although The Foundation has always welcomed operating support grant applications, this year a special effort was made to encourage them.

The Foundation facilitated roundtables with non-profit Executive Directors to hear firsthand what their organizations needed to survive and thrive in the near term and midterm. Meetings were also held with groups of donors and professional advisors. In addition, The Foundation conducted a survey of nonprofit Executive Directors about the challenges their organizations faced during this downturn.

Following are some of the major findings from the survey and roundtable discussions with non-profit leaders, donors and professional advisors:

- Non-profit organizations are experiencing significant challenges in raising money and a significant decline in donations.
- In general, as a result of the downturn, the community has been more focused on giving to basic needs organizations. Nearly half of these organizations have experienced an increase in giving while other service areas are experiencing a decline.
- Basic needs organizations are also experiencing the most significant increase in demand for services.
- Arts organizations are especially vulnerable during these turbulent economic times as described by both the Executive Directors and donors.
- There is an overwhelming concern about cash flow as described during the roundtable discussions with Executive Directors.
- There is great concern about how the state budget will impact non-profit organizations. Larger organizations are more dependent on state dollars while small organizations rely more on private donations.
- Executive Directors are concerned about the well-being of their staff and their ability to continue to deliver critical services in the context of stress caused by the economic downturn in their professional and personal lives.
- Donors are committed to giving and local organizations may take precedence, but they want more information to do effective and strategic giving.
- Non-profits are deferring plans for new ideas and programs.
- The economic crisis has presented an opportunity for The Foundation to develop deeper relationships with non-profits, donors and professional advisors by increasing the amount and quality of communication.
- There is a gap between the donors' need for knowledge about organizations especially their efficiency of operation and effectiveness of services and the capacity of the non-profits' to strengthen the marketing of their organizations and programs for the purpose of raising money.
- All constituencies are looking to The Foundation to be a leader in providing funding, technical assistance, knowledge and advocacy.

The result of gathering this knowledge is that The Foundation is better informed about how to allocate resources as the major annual responsive grantmaking process begins, with more requests for grant dollars than ever and tough choices ahead.