Where are we now?
Economic Pressures on the Nonprofit Sector

A Survey of Whatcom County Nonprofits
September 2010
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This survey was designed and carried out by the Whatcom Community Foundation, St. Luke’s Foundation and the United Way of Whatcom County on behalf of the Whatcom Funders Alliance (Alliance). Pamela Jull and Rachel Williams from Applied Research Northwest contributed time and expertise to the development, fielding and analysis of the survey. The Alliance also hosted a nonprofit forum to further explore the status and needs of local nonprofits.

**Introduction**

Our hope in conducting this study was to gain a better understanding of the effect the economic downturn is having on the local nonprofit community and the people they serve. We hear a great deal about how our nation as a whole is struggling, with 15 million people out of work and, a record high of 6.8 million being jobless for six months or more.¹ Or, that most recently, the US Census Bureau’s September 2010 report that the poverty rate has increased to 14.3%, meaning that 43.6 million people, including 15.5 million children, are classified as at or below the official $21,954 income. It means that one in seven of us now live in poverty, and one in five children live in poverty.²

But, what does this mean for our local community? One way to gauge the impact is through the nonprofit sector that provides a safety net of vital social services as well as other programs and services that shape our community, such as arts and culture, the environment and more. Has demand for social services, staffing levels, program expenses and donations changed? This survey attempted to start answering some of those questions.

**Who Responded?**

The survey was distributed widely to Whatcom County nonprofit organizations through a variety of networks including: Whatcom Council of Nonprofits; local funders; and the local media. Eighty people representing the nonprofit sector completed the survey between 6/25-7/16/10.

**Respondents’ Field of Work³**

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<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human &amp; Social Services</td>
<td>26%</td>
</tr>
<tr>
<td>Education</td>
<td>11%</td>
</tr>
<tr>
<td>Arts &amp; Culture</td>
<td>10%</td>
</tr>
<tr>
<td>Community Development</td>
<td>10%</td>
</tr>
<tr>
<td>Environment</td>
<td>9%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
</tbody>
</table>
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² www.census.gov/hhes/www/poverty/poverty.html
³ Other includes: library; human rights; non-profit consultant; religious; funder; animal welfare; and volunteerism.

“*This survey helps us better understand how the current economic challenges have affected nonprofit organizations, and will certainly lead to developing new strategies for private and public funders to support agencies in weathering the storm and prospering during and after this time of change.*”

Mauri Ingram, President & CEO, Whatcom Community Foundation
What did they say?
The results of this survey demonstrate the pressures and stress on the nonprofit sector as well as its resiliency in a daunting environment. Nearly 70% of respondents indicated that their organization’s viability was threatened to some degree by the current economic climate. Despite this, only 20% reduced their services while 45% indicated they were able to retain all their services and 36% actually increased services.

Overall the picture for most nonprofits is that demand for services and organizational expenses are increasing at a time when staffing and funding are largely staying level or decreasing.

Approximately 80% of respondents anticipate greater demand for their services this year AND next year. Despite this 80% expect to either keep the same or decrease staffing levels this year. And, 73% plan to either maintain or decrease staffing next year. One can imagine the compounded effects of keeping staffing the same but having increasing demand for services.

Nearly half of respondents anticipate an increase in total organizational expenditures both this year and next year. In the spirit of doing more with less, about half of respondents also believe their total income will either stay the same or decrease this year (57%) and next year (46%).

### Revenue & Expenditures Reported – This Year Compared to Last Year

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase more than 30%</th>
<th>Increase 16-30%</th>
<th>Increase 1-15%</th>
<th>Increase less than 1-15%</th>
<th>Decrease more than 30%</th>
<th>Decrease 16-30%</th>
<th>Decrease 1-15%</th>
<th>Decrease less than 1-15%</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures</td>
<td>9%</td>
<td>38%</td>
<td>21%</td>
<td>20%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Total income</td>
<td>9%</td>
<td>28%</td>
<td>14%</td>
<td>33%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>8%</td>
<td>24%</td>
<td>28%</td>
<td>23%</td>
<td>5%</td>
<td>3%</td>
<td>4%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Average gift</td>
<td>6%</td>
<td>49%</td>
<td>21%</td>
<td>4%</td>
<td>8%</td>
<td>5%</td>
<td>3%</td>
<td>14%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Revenue & Expenditures Outlook – Next Year Compared to This Year

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase more than 30%</th>
<th>Increase 16-30%</th>
<th>Increase 1-15%</th>
<th>Increase less than 1-15%</th>
<th>Decrease more than 30%</th>
<th>Decrease 16-30%</th>
<th>Decrease 1-15%</th>
<th>Decrease less than 1-15%</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures</td>
<td>8%</td>
<td>39%</td>
<td>31%</td>
<td>11%</td>
<td>4%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Total income</td>
<td>8%</td>
<td>40%</td>
<td>24%</td>
<td>16%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>6%</td>
<td>31%</td>
<td>35%</td>
<td>11%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>13%</td>
<td>1%</td>
</tr>
<tr>
<td>Average gift</td>
<td>3%</td>
<td>46%</td>
<td>10%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>16%</td>
<td>2%</td>
</tr>
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</table>
A little over half (55%) of respondents expect to meet their revenue projections this year and next year. But, approximately 45% either do not know, or expect they will fail to meet their revenue projections. There appears to be a great deal of uncertainty about next year; almost 25% of respondents indicated that they do not know what changes they will make in service levels in the next 12 months.

**Revenue Projections/Fundraising Goals**

As a response to the current climate it appears that organizations are looking to each other more than ever. In fact, over 60% said they were expanding partnerships with other organizations.

Some organizations are better prepared to withstand revenue and expense fluctuations than others. 64% of respondent organizations have a **reserve fund**. Of those with reserve funds, 47% have 3 months or less; 23% have 5-6 months; 6% have 8-11 months; and, 24% have 12 months or more in reserves. Additionally, 25% of respondent’s organizations have an **endowment** to add to their long-term financial stability.

One clear message from the nonprofit organizations was that they need more capacity in terms of funding, staffing and resources. The top five areas in which they indicated needing more technical assistance and support for organizational staff and management include:

1. Fundraising (49% want help with annual campaigns; 45% planned giving; 34% endowments; 26% capital campaigns)
2. Communications/Marketing
3. Board Development/Governance
4. Volunteer Recruitment, Placement, Training
5. Leadership Development

Additionally, organizations are looking for more from their Board of Directors, and wanting to provide them with more training and support in the following areas:

1. Fundraising: (53% want assistance with annual campaigns; 31% planned giving; 30% capital campaigns; 28% endowments)
2. Roles & Responsibilities
3. Strategic Planning
4. Leadership Development
5. Evaluation
When asked the best ways for staff, management and Boards to receive technical assistance respondents preferred the following methods:

1. Training held in Whatcom County (90% of respondents put this in top 3)
2. On-site coaching/consulting
3. Information Resources (i.e. on-line toolkit)
4. Peer-to-peer learning
5. On-line training (i.e. webinars)

Nonprofit Forum

In order to the more fully explore the survey results, the Alliance invited several local nonprofit executives and board members to participate in a “fishbowl” forum. The forum was incorporated into a statewide community foundation gathering co-hosted by the Bill & Melinda Gates Foundation and the Whatcom Community Foundation. The purpose of the event was to 1) solicit responses to the survey data, 2) deepen the our understanding of the condition and needs of the local nonprofit community, and 3) provide an example for other foundations to consider in assessing the health and needs of their own area nonprofits.


Forum participant organizations represented a broad range of fields, sizes and levels of organizational development. The forum included a panel discussion; small group discussions; and an open dialog among local nonprofit participants and the community foundation representatives from around the state. Gathering attendees observed the panel discussion and participated in separate small group discussions, exploring what they heard and observed in the context of how they might engage their own communities on the issue of capacity building.

Forum Highlights Include:

- Organizations with reserve funds have greater capacity to look ahead and anticipate
- Collaborations are more attractive and practical to a growing number of organizations
- Desire for more peer learning and support opportunities
- Need, in some cases, for operational support, particularly in the current economic environment: it provides stability and affords organizations the opportunity to move into new program areas; the value of multi-year funding was also emphasized
- Need to better meet the support current volunteer board members, particularly younger members given their motivation, methods of engagement and expectations
- Enhanced funder coordination via common grant application and funders tours
- Need for prospective nonprofit board member preparation and development
  - Improve the ways in which board prospects learn more about the sector as well as expectations and roles as board members and volunteers. Overcoming the “nonprofit run as for-profit business” mindset of some
Cultivating younger board prospects to ensure a rich pool of future volunteer leaders
Where possible, provide training and skill building through employers
- Critical need to strengthen our communities’ capacity for public/private partnerships
- Desire to more fully and thoughtfully engage institutions of higher learning
- Desire to expand and enhance how the sector, including funders, works with others – business and government – to meet community needs and capitalize on opportunities

Conclusion
Last year was the worst year in our nation economically since the Great Depression. Survey results and the nonprofit forum demonstrate that local organizations continue to face financial stresses making it a difficult environment in which to operate. Some of the compounding challenges identified in the survey include:

- The majority of respondents (80%) expect increased demand for services this year and next year.
- 80% of respondents expect to either decrease, or keep the same staffing levels this year despite the increase in demand for services.
- Nearly half anticipate increased expenses this year and next year.
- 57% expect their total income this year will stay the same or decrease; while 46% expect the same for next year.
- Close to one half of respondents (45%) either do not know, or think they will fail to meet their revenue projections this year.

“This is exactly the right time for thoughtful and strategic planning at the local level.”
Sue Sharpe, Executive Director, St. Luke’s Foundation

The Alliance and its members will use the information and ideas gleaned from the Ecosystem Report, survey and forum to:

- Guide discussions around how local, regional and national funders can help build the Whatcom County nonprofit sectors natural resilience, particularly in difficult times;
- Develop a layered, local framework to provide ongoing capacity support to nonprofit community; and
- Inform individual and collaborative actions of Alliance member organizations to further these goals.

Despite the challenges ahead, local funders remain committed and optimistic that we can support the community through capacity building in the form of funding as well as other valuable vehicles such as continuing education, peer mentoring and others. We believe this work will benefit our nonprofit organizations in the short term as they struggle to obtain sufficient resources to provide their services during these extraordinary times and allow them to thrive in the long term. We will continue to identify the strengths, needs and opportunities in our community, and build on them in ways that have longstanding benefits.

Whatcom Funder’s Alliance Members
Alcoa Intalco
Bellingham Technical College Foundation
BP Cherry Point
City of Bellingham
ConocoPhillips
Medina Foundation
Northwest Indian College Foundation
PeaceHealth/St. Joseph Medical Center Foundation
Whatcom Hospice Foundation
St. Luke’s Foundation
United Way of Whatcom County
Western Washington University Foundation
Whatcom County
Whatcom Community College Foundation
Whatcom Community Foundation