



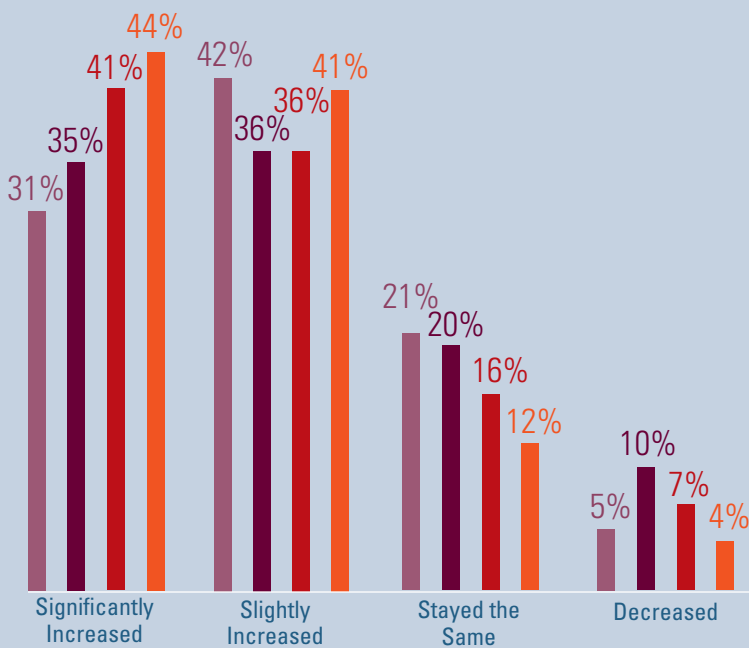
2012 State of the Sector Survey

Nonprofit Finance Fund's fourth annual survey of nonprofits nationwide reveals that rising service demand is overwhelming a sector still coping with a brittle economy and a barrage of funding cuts.

While there are hints that some organizations may have navigated through the worst of the recession, the ever-increasing need for services suggests that our communities have not. The 4,607 respondents tell a story of a sector still stretched thin, with organizations feeling distant from their funders and boards, and staff facing more work with less money and fewer benefits to take home. This is a wake-up call to funders, government, board members, advocates and all of us who care about the critical work nonprofits do to build a just and vibrant society. The recession may be over, but the nonprofit financial crisis is not.

Demand for Services 2008-2011

For years 2008, 2009, 2010, 2011



Need Keeps Rising

A remarkable 85% of respondents reported an overall rise in demand, with 4 consecutive years of growth in those experiencing "significant increases." For many individual nonprofits, this reflects compound increases, a sign of deepening community need.

For those who self-identified as providing critical "lifeline" services (42%), responses were starker: 90% of these organizations noted an overall increase in demand, with 57% noting a "significant increase." That same percentage of organizations, 57%, was unable to meet demand and forced to turn away some of the most vulnerable members of our society.

Were Nonprofits Able to Meet Demand for Services?

2009	No: 44%	Yes: 56%
2010	No: 49%	Yes: 51%
2011	No: 48%	Yes: 52%
2012 Expected	No: 50%	Yes: 50%

nonprofitfinancefund.org/survey

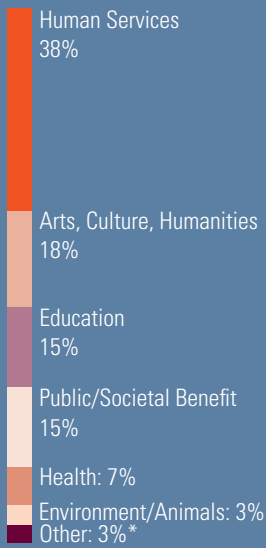
NFF's 2012 Survey is generously supported by The Bank of America Charitable Foundation



About the 4,607 Respondents

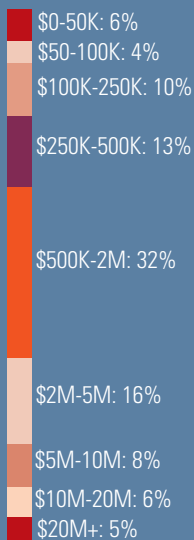
We more than doubled the response rate from last year, as more organizations chose to add their stories to the collective voice of the nonprofit community.¹ The distribution across sectors remained similar to previous years. Human Services organizations, the keystone of our social safety net, were particularly well-represented.

By Sector



*Other includes Mutual/Membership Benefit (1%), International, Foreign Affairs (1%), Miscellaneous (1%)

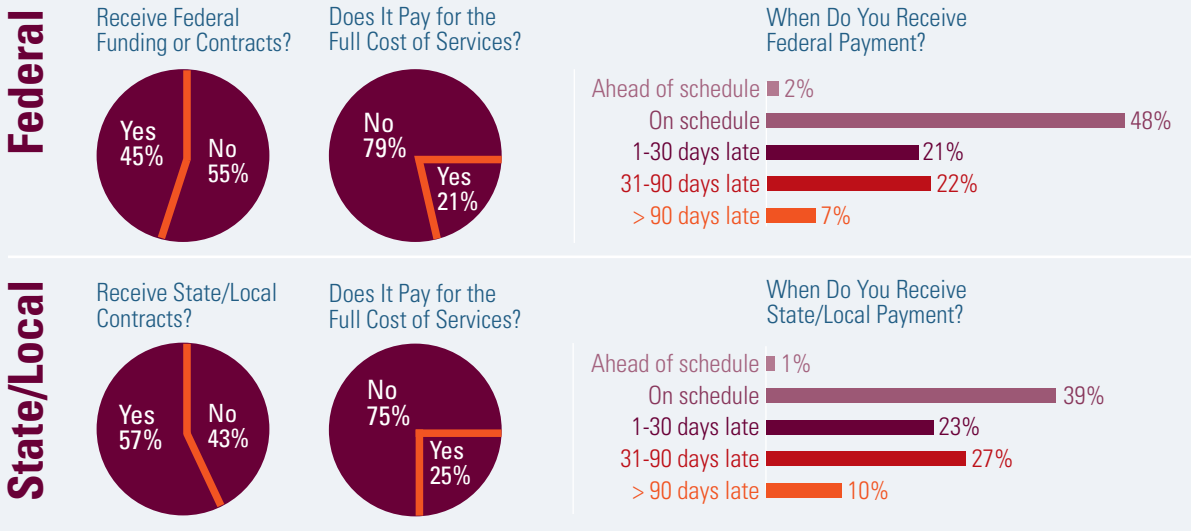
By Annual Expense



Government Support Is Not Reliable

1,927 respondents received funding or contracts from the federal government. Among these organizations, 50% experienced payment delays. Of the 2,395 organizations receiving state or local contracts, the situation was even worse, with 60% experiencing delays.

Over 60% of those experiencing any government delays used reserves to make it through. For some, bridging the gap caused by payment delays also meant service cutbacks, staff cuts, lost interest income, and loans that could have been avoided.



Why We Need Government Funding

Across the country, state budget deficits and a trend in dis-investment in social services on the state level continue to shred the safety net.² After the recession began, the federal government stepped in to help, through programs such as Temporary Assistance for Needy Families (TANF) and the American Recovery and Reinvestment Act.³

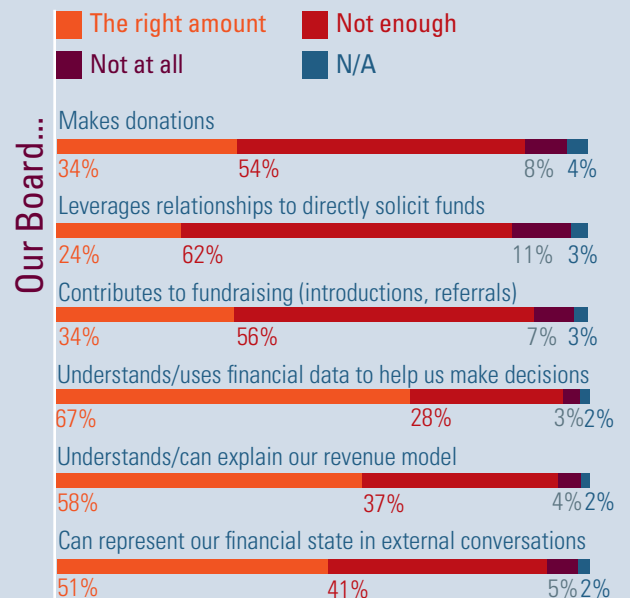
Many of these temporary programs are set to expire soon or have already expired.⁴ Without them, we face an even more dire future: an ever-widening income gap, and rising poverty, hunger, and homelessness.

- From 2007 to 2010, the number of Americans living below the poverty line increased from 44.4 million to 47.3 million.⁵
- Without government assistance, the poverty rate would have been almost twice as high in 2010: that's 40 million more people.⁶
- 1 in 45 children in the US was homeless in 2010.⁷
- The Supplemental Nutrition Assistance Program (SNAP) lifted 2 million children out of poverty in 2010.⁸

Are Boards Rising to the Challenge?

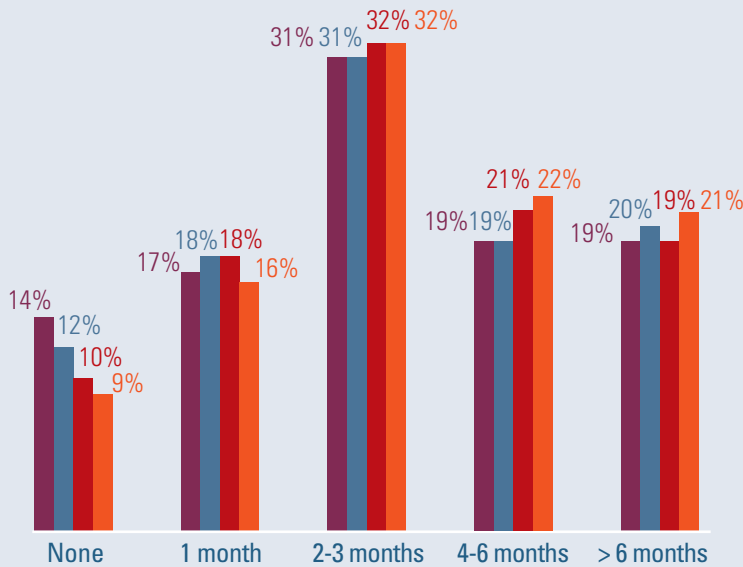
We asked a series of new questions this year exploring the role boards play in the financial and organizational health of nonprofits. How do boards help nonprofits deliver on mission? And what could they do better?

While more than half of respondents believed their boards knew enough about the organization's finances, over 60% felt that they could not depend enough on their boards for financial support, whether through direct contributions or help with fundraising.



Organizations Show Signs of Coping

How Many Months of Cash Do Nonprofits Have on Hand?
For years 2009, 2010, 2011, 2012



There are small signs of greater financial stability this year, surprising in light of the seemingly ubiquitous funding cuts. Overall, respondents had slightly more months of cash on hand to cover expenses. As in 2010, 44% of organizations had surpluses at the close of the fiscal year and, in a slight increase over last year, 25% of organizations broke even.

Could these be signs that nonprofits are recovering, or are they merging with stronger organizations in their communities? Or have nonprofits gone out of business, leaving their clients to find services elsewhere? In part, this might explain continuing upward surges in demand for the organizations still standing.

	Deficit	Surplus	Break-Even
2008	32%	40%	28%
2009	36%	35%	29%
2010	34%	44%	22%
2011	31%	44%	25%

Delays and Demand

"The greatest challenge continues to be meeting... demand for services with shrinking resources and the on-going uncertainty that exists for the sector... The exceedingly late payments by government have added additional strain on an already spread too thin budget cash flow. Year after year of cuts with year after year of growing demand have created not only a 'new normal' but also quite a bit of fatigue and strain on morale."
Public/Societal Benefit NPO, NY

Living Within Our Means

"Our greatest challenge is creating programs that add to the cash-flow of the organization. It is difficult to compete for grants that allow little support (up to 10%) for operations with a reduced staff. All staff members have accepted extra duties with reduced pay in 2012 to allow us to live within our means..."
Human Services NPO, GA

Reserves Still Hard to Discuss

Nonprofits continue to feel they cannot start conversations about many financial issues with their funders. Like last year, organizations felt that funders were most willing to talk about program expansion (54%), while very few believed their funders were open to discussions on facility reserves (12%) or operating reserves (21%). Given that a significant percentage of organizations used reserves to fill the gap in government payment delays, it's more critical than ever that we help organizations build their own financial safety net.

My Nonprofit Can Have an Open Dialogue with Funders About...



Nonprofits React to Change

Management strategies nonprofits used this year were generally in line with last year. There were a few variations that could suggest signs of financial improvement:

- 50% of respondents hired staff for new positions this year, compared to 44% last year.
- The number of respondents that reduced or eliminated programs decreased, from 26% last year to 20% this year.
- Fewer organizations tapped into reserve funds: 27%, down from 34% last year.

Respondents who partnered with another organization to improve or increase services declined from 47% to 38%. With service demand continuing to rise, are there ways that we can better support collaboration in the sector?

41% of respondents engaged closely with their board this year, down from 51% last year. This may be another sign that nonprofits feel their boards are not sufficiently supporting them through financial hardship. Or it may suggest that fewer organizations rely on boards to achieve their goals.

Personnel Challenges

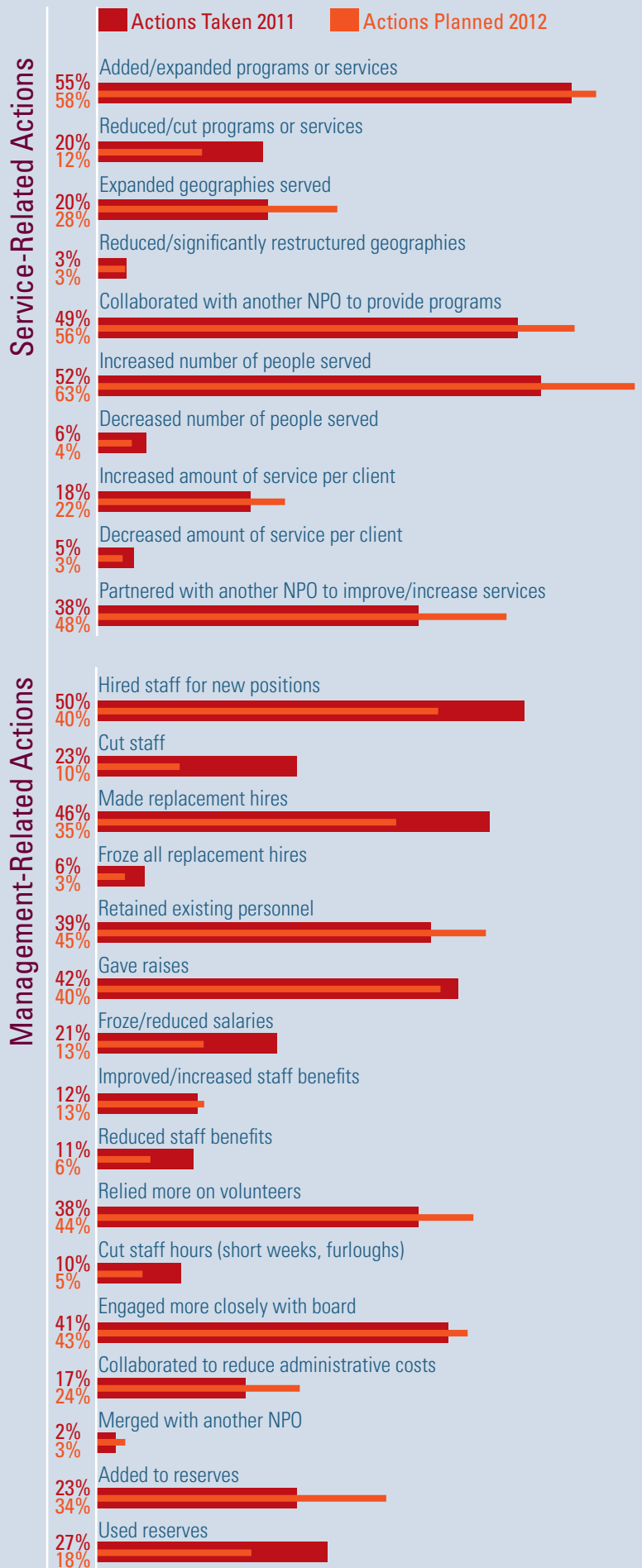
"[Our greatest challenge is] finding quality staff to work with our clients, given we have reduced our staff benefits... Doing more with less, we have cut our clerical support staff, have no development department and outsource some of our grant writing, but the administrative staff have been wearing many different hats since 2009."

Human Services NPO, CA

Human Services NPOs See Staff Changes

Human Services organizations, representing the largest portion of respondents, may be experiencing more staffing changes than other sectors. Staff volatility was greater and accompanied by slightly higher benefit and salary freezes or reductions. Interestingly, despite these staff fluctuations, their finances were comparable to non-Human Services organizations.

Actions Taken 2011	Human Services	Non-Human Services
Reduced staff	29%	20%
Made replacement hires	52%	42%
Froze/reduced salaries	24%	19%
Reduced staff benefits	15%	9%
Relied more on volunteers	42%	35%



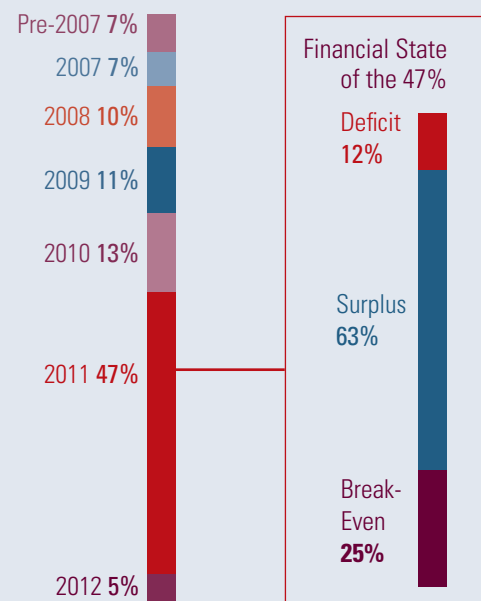
An Optimistic Sector

In addition to gathering quantitative data about financial health and service demand, we also ask questions that capture the perceptions and outlooks of nonprofit respondents. Every year, qualitative data suggests that people have an innate optimism and dedication to mission that moves these organizations forward despite the financial hurdles in their way.

But in some cases, their optimism may be writing checks their balance sheets can't cash. 47%, or 1,654 organizations, reported that the most recent year they felt financially stable was 2011. While this subset of respondents did in fact have higher percentages of surplus (63% vs. 44% for overall respondents), 12% of them actually reported a 2011 deficit. Among this 12% with deficits, 34% had a 2011 deficit that was greater than 5% of their annual expense.

In part, this discrepancy between actual financial condition and perception of financial health may be due to the spirit of resilience so common in the sector. It may also be that our perception of health is relative to what it has been in the past, suggesting that some nonprofits feel lucky to even be in business.

Most Recent Year Organizations Felt Financially Stable



Challenged but Resilient "We have ambitious revenue targets as we seek to increase our operating revenue and plug our... deficit. This requires increasing donations and ticket sales as the economy continues to stagnate. Additionally, our endowment has not yet recovered from the stock market crash of 2008. Because we base our 5% draw on a 3-year rolling average, the "down" years are still impacting the available balance we can draw on..."
Arts, Culture, Humanities NPO, MO

Filling the Funding Gap "[Our biggest challenge is] making up for reduction in federal funding. We have been informed that we are not eligible to apply for a couple of grants that we have previously been funded with for the provision of prevention services. In response, we plan to seek alternative funding through private sources as well as consider other government opportunities..."
Human Services, TX

Endnotes

1. While there were 4,607 total respondents overall, the number of respondents varied for each question. Percentages for each data point are based on these varying totals. See survey.nonprofitfinancefund.org for respondents per question.
2. Oliff, Phil. "Long and Uncertain Recovery for State Budgets." *Off the Charts Blog*. Center on Budget and Policy Priorities, 9 Jan. 2012. Web. 15 Mar. 2012. <<http://www.offthechartsblog.org/long-and-uncertain-recovery-for-state-budgets/>>.
3. Sherman, Arloc. "Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show." Center on Budget and Policy Priorities. 7 Nov. 2011. Web. 15 Mar. 2012.

4. Ibid.
5. Ibid.
6. Sherman, Arloc. "Taking Stock of the Safety Net, Part 1: Overview." *Off the Charts Blog*. Center on Budget and Policy Priorities, 14 Dec. 2011. Web. 15 Mar. 2012. <<http://www.offthechartsblog.org/taking-stock-of-the-safety-net-part-1-overview/>>.
7. Bassuk, MD, Ellen L. et al. *State Report Card on Child Homelessness: America's Youngest Outcasts 2010*. The National Center on Family Homelessness, Dec. 2011. Web. 15 Mar. 2012. <http://www.homelesschildrenamerica.org/media/NCFH_AmericaOutcast2010_web.pdf>.
8. Dean, Stacy. "Taking Stock of the Safety Net, Part 4: Helping Families Afford an Adequate Diet." *Off the Charts Blog*. Center on Budget and Policy Priorities, 19 Dec. 2011. Web. 15 Mar. 2012. <<http://www.offthechartsblog.org/taking-stock-of-the-safety-net-part-4-helping-families-afford-an-adequate-diet/>>.

New! Filter the Data Yourself Online



Visit nonprofitfinancefund.org/survey to learn more about the 2012 State of the Sector Survey and to see results from previous years. We've also created an **interactive database** of 2012 data that you can explore yourself. You can filter results by geographic areas, sub-sectors, or expenses. We hope you'll share your thoughts with the community by posting your results on Facebook or Twitter. Questions? Email us at research@nffusa.org.

Thank You

Our fourth annual survey was our largest yet. We are grateful to all of the participants, who spent an average of fourteen minutes each on the survey and took the time to share some of their innovations and stories this year. This, on its own, is an enormous voluntary contribution to improving our understanding of the trends affecting the sector.

We couldn't have marshalled this enormous undertaking without the considerable help of our friends, colleagues, and partners, and also want to thank the many who helped spread the word about the survey.

About Us

As a nonprofit 501(c)(3), NFF pushes for improvement in how money is given and used in the sector. Since 1980, we've worked to connect money to mission effectively so that nonprofits can keep doing what they do so well. We provide financing, consulting, and advocacy services to nonprofits and funders nationwide. Our services help great organizations stay in balance, so that they're able to successfully adapt to changing financial circumstances and grow and innovate when they're ready.

In addition to providing millions of dollars in loans and lines of credit, we organize financial training workshops, perform business analyses, and offer customized consulting services. For funders, we provide support with structuring of philanthropic capital and program-related investments, manage capital for guided investment in programs, and provide advice and research to help maximize the impact of grants.

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Making Ends Meet

"Families pay fees that cover approximately 25% of our costs, and we must find other sources of income to cover the balance... The economy has affected both the ability of the families to pay their portion and the ability of our donors to support us at the same or higher level than in the past. We merged with another (smaller) organization in 2010/11, and we are working to retain or re-engage their donors..."

Education NPO, IL

Stretching Resources

"The need for health care services for the uninsured is growing faster than we can help people. There are so many people in our area looking for health care that we will never be able to meet the entire need. Through the use of volunteers we have been able to increase the numbers of patients we treat and decrease our cost per patient."

Health NPO, VA

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