2011 State of the Sector Survey

Nonprofit Finance Fund’s (NFF) third annual survey drew responses from nonprofits in almost every state, from small community arts organizations, to multi-million dollar health centers, to burgeoning charter schools. What did we learn? While the country has officially climbed out of the recession, recovery is slower for the nonprofit sector. Particularly for organizations providing critical services, it’s getting harder and harder to keep up with the steadily rising demand.

NFF’s Sector Survey is creating a repository of nonprofit data that can shed light on financial trends in our sector. By better using and sharing data, we believe that nonprofits, with assistance from key stakeholders, can become more resilient in uncertain times and draw on the successful strategies used by their peers.

We asked nonprofits what they were most proud of about their management in 2010. To the right is a sample of what they had to say. Learn more at nonprofitfinancefund.org/survey.

1935 nonprofits responded out of smaller grants.
87% feel the recession isn't over.
77% saw an increase in demand for services.
28% have 1 month or less of cash.
55% added or expanded programs.

1.000 nonprofits responded and 75% of them had 25 or fewer employees. Among larger nonprofits, 69% reported 50-249 employees and 22% had more than 250 employees.

NFF’s 2011 Survey is generously supported by Bank of America Charitable Foundation

Bank of America
Looking at Lifeline Organizations

49% of respondents identified themselves as providing services critical to the health and safety of those in need. A higher percentage of these “lifeline” organizations are reporting significant increases in service demand, and fewer are reporting decreases or no change (Chart 3). To meet this demand:

- 60% of lifelines increased the number of clients served (compared to 39% for non-lifelines)
- 50% partnered with another organization to improve or increase services (vs. 44% for non-lifelines)
- 58% added or expanded programs (vs. 52% for non-lifelines)

Results suggest that the higher demand is taking a toll on these critical nonprofits, with 57% reporting an inability to keep up with demand (Chart 4). Their financial situation, however, is similar to overall results; in 2010, 33% reported deficits, 43% reported surpluses, and 24% were at break-even.
We’re happy to report a slight decrease in the number of organizations with no cash available. However, the more the economy has changed, the more cash stays the same; three-year reports for months of cash were strikingly similar across all categories (Chart 5). NFF generally recommends that nonprofits maintain at least 3 months of cash. However, this amount varies depending on an organization’s strategic plans, business model, and the reliability of revenue streams.

About one-third of respondents reported a deficit in 2010, similar to previous years. When we asked respondents at the beginning of 2010 to predict their financial results for the year, 18% expected surpluses; in contrast, 44% actually ended 2010 with surpluses. This year, more respondents—30%—expect surpluses by the end of 2011 (Chart 6).

The last three years of data paint a picture of nonprofits fighting for financial stability while facing fast-climbing demand. 41% of respondents believe that 2011 may be even harder than 2010 for their organizations. Many believe that 2011 will be similar to the already difficult circumstances of 2010, suggesting that nonprofits may be adjusting to the new normal of our post-recession environment (Chart 7).

Nonprofits’ perceptions about their support from funders influence their management strategies and the ways they cope with problems. The data cloud to the right describes what nonprofits feel they can openly discuss with funders. The topics most difficult to see?: Only 5% felt they could discuss Debt Burden, followed by 9% for Building Reserves. 23% didn’t feel that their funders would engage in dialogue about any of the topics listed. Outside of program expansion, no category received a response rate over 32%, raising the question: what issues are nonprofits and funders discussing, and how can we better fit financial issues into the conversation?

We asked nonprofits what they wished their funders would do differently. In interpreting this qualitative data, we found that 50% asked for more general operating or capacity support, while 11% asked funders to fund what already works, rather than asking for something new. These concerns contrast with the emphasis on Program Expansion to the right.
Nonprofits are working hard to serve their communities. Over the past 12 months, 55% added or expanded programs or services and 49% increased the number of clients served. To meet the demand, organizations are stretching resources and developing strategies to do more with less. 47% partnered with another organization to improve or increase services offered, while 36% relied more on volunteers.

**Group Profile: Who Made Staff Reductions?**

27% of total respondents reduced staff in 2010. Within this group, 46% added or expanded programs and 43% increased the number of people served, while 50% reduced or eliminated programs. 58% were unable to meet demand for services. Over half of the nonprofits in this group—57%—identified as lifeline. (See how these figures contrast with overall results in Charts 2 and 9.) This data might raise questions about how organizations managing financial hardship cope with service provision. How far do we push staff and infrastructure to meet demand? And how can sector advocates better help nonprofits balance capacity, money and mission?
How Can We All Better Support Nonprofits?

We asked nonprofit leaders to tell us one thing they would like to see funders do differently to better help their organizations. While the responses to this open-ended question varied, strong themes emerged. Most prevalent by far was the need for more general operating or capacity support, expressed by 50% of respondents. They reminded us that a strong organization is the backbone for consistent, successful programs. Along with this, they requested that funders place greater trust in well-run and effective nonprofits to allocate money according to their own needs. Many also asked that funders support the core work an organization is already doing well, rather than requesting new initiatives. To learn more, visit us at nonprofitfinancefund.org/survey.

In their Own Words: Quotes from the Survey

“Allow for unrestricted operating grants for nonprofit organizations with a proven, successful track record.”

“Fund the organization’s operating costs, not looking for innovation, new projects, transformation. Support the organization already doing a good job performing against its mission. Don’t look for or favor fancy narratives and budgets making a case that require costly staff to write eloquently…”

“Address the need to help nonprofits diversify funding streams and understand the idiosyncratic factors involved in achieving organizational sustainability.”

“Make multi-year commitments with timely checkpoints for accountability.”

“Streamline the application process, and don’t require an amount of work for proposals/reports that’s out of proportion to the grant award amount.”

“Consider adjusting payment schedules to advance annual payments by 6 months to improve cash flow — not increase funding, simply time it more effectively.”

“Recognize the full cost of programs (including fund raising and general & administrative costs), particularly across funding cycles. We’re on a constant roller coaster because we limp from one funding cycle to the next, never being able to engage in long-term change.”

Themes from Open-Ended Responses

Support General Operating & Capacity Costs
753 respondents expressed the need for more unrestricted, capacity, and/or general operating support.

Listen, Learn, Communicate
198 respondents wanted more dialogue and to hear honest feedback from current / prospective funders.

Fund What Already Works
172 nonprofits asked funders to support successful core programs, not just growth and innovation.

Provide Longer-Term Support
164 respondents wanted multi-year support, help planning for long-term sustainability, or help widening their funding network.

Consider Cash Flow Concerns
74 wished funders would provide critical working capital and make disbursements more quickly once a grant is announced.

Give More Money
63 respondents focused on this classic nonprofit problem.

Be Open to Change
59 wanted funders to consider supporting start-ups, expansion efforts, and making grants outside their traditional areas.

Pay the Full Cost
32 asked funders to pay the full cost of services provided.

Support and Engage in Collaboration
31 wanted funders to support nonprofit collaborations and also provide grants in strategic partnerships with other funders.

Give Capital, For Facilities & Big Projects
30 respondents needed capital for facility-related costs and everything from fixed assets to growth.

Fund Small Nonprofits
22 felt that small nonprofits were under-recognized.

Provide or Help us Manage Loans
19 wanted loans, PRIs, or assistance with debt relief during these challenging times.

Support the Arts
12 remarked that the arts are often underfunded and overlooked.
Further Exploration

Despite expectations of continued increases in demand for services, nonprofits continue to be resourceful in making ends meet. From collaboration to cost management to better communication, nonprofits are using a variety of strategies to protect their underlying infrastructure and enterprise while providing the best services possible to the most people. This delicate balance between mission, capacity, and capital becomes increasingly difficult when organizations experience upheaval—whether due to a recession, the loss of a funding source, or unexpected expenses.

This document primarily reflects national results. If you would like more information on a subgroup of organizations, such as a particular sector, geography, or financial condition, please contact your nearest NFF office. We’ll also be posting further explorations of the results online at the links below.

nonprofitfinancefund.org/survey
nonprofitfinancefund.org/blog
twitter.com/nff_news

About Us

NFF makes millions of dollars in loans to nonprofits and 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—in both good and bad economic times—and grow and innovate when they’re ready.

In addition to providing 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.

New York Region and National Headquarters
70 West 36th St., 11th Floor
New York, NY 10018
212 686 6710
NY@nffusa.org

New England
89 South St., Suite 402
Boston, MA 02111
617 204 9772
NE@nffusa.org

New Jersey
59 Lincoln Park, Suite 350
Newark, NJ 07102
973 642 2500
NJ@nffusa.org

Greater Philadelphia
1608 Walnut St., Suite 703
Philadelphia, PA 19103
215 546 9426
Philadelphia@nffusa.org

San Francisco
28 Second St., Suite 600
San Francisco, CA 94105
415 255 4849
SF@nffusa.org

Los Angeles
626 Wilshire Blvd., Suite 510
Los Angeles, CA 90017
213 623 7001
LA@nffusa.org

Detroit
645 Griswold St., Suite 2202
Detroit, MI 48226
313 965 9145
Detroit@nffusa.org

DC-MD-VA
2100 M St. NW, Suite 170-329
Washington, DC 20037-1233
202 776 1192
DC@nffusa.org

Nonprofit Finance Fund is a nonprofit 501(c)(3) Community Development Financial Institution (CDFI) © 2011, Nonprofit Finance Fund®