



Fairfield County
Community Foundation



The Impact of the Recession on Fairfield County Residents and the Nonprofits that Support Them

Report produced by The Center for Nonprofit Excellence,
an initiative of The Fairfield County Community Foundation

A Summary of 2009 Survey Results

by Karen R. Brown
Vice President of Programs
and Jeff Yates
Communications Manager

About The Fairfield County Community Foundation

The Fairfield County Community Foundation works closely with donors, promoting the growth of community and regional philanthropy to improve the quality of life throughout Fairfield County. Individuals, families, corporations and organizations can establish charitable funds or contribute to existing funds focused on specific areas of need or communities in Fairfield County. The Foundation provides philanthropic advisory services, helps nonprofits develop endowment funds and develops and leads initiatives to tackle critical community issues. It is in compliance with the Council on Foundations' 41 national standards for community foundations. The Foundation has awarded over \$110 million in grants to nonprofits in Fairfield County and beyond. For more information, visit www.fccfoundation.org.

About The FCCF Center for Nonprofit Excellence

The Fairfield County Community Foundation created The Center for Nonprofit Excellence to strengthen nonprofit effectiveness, efficiency and sustainability.

Guided by an Advisory Committee that includes Fairfield County nonprofit executives, The Center for Nonprofit Excellence:

- Provides skill-building workshops for nonprofit executive directors, board members and staff
- Awards grants to provide technical assistance, financial management, technology development, strategic planning and consultation services
- Brings together stakeholders focused on Fairfield County's most pressing needs through regional meetings and nonprofit networking opportunities
- Serves as a resource and referral for queries about nonprofit management issues
- Provides free meeting space for Fairfield County nonprofits

In addition to Foundation support, The Center for Nonprofit Excellence is generously funded by:

Altria Group, Inc.
Citizens Bank Foundation
GE Foundation
J.P. Morgan Chase Foundation
People's United Community Foundation
The Perrin Family Fund at the Fairfield County Community Foundation

Table of Contents

Acknowledgements	1
Executive Summary	2 - 9
Regional Overview	10 - 19
Results & Recommendations	20 - 43
In Their Own Words	44 - 46
Endnotes	47 - 49
Survey Methodology	50

Full survey data is available online at www.fccfoundation.org under “About Us” and then “Publications and Articles”.

Acknowledgements

The Fairfield County Community Foundation would like to acknowledge the following for contributions to this survey and report:

Survey Development

Nonprofit Finance Fund	www.nonprofitfinancefund.org
Community Foundation of Greater New Haven	www.cfgnh.org

Comparative Data

Bridgespan Group	www.bridgespan.org
Bridgeport Child Advocacy Coalition	www.bcacct.org
Business Council of Fairfield County	www.businessfairfield.com
Connecticut Association of Nonprofits	www.ctnonprofits.org
Connecticut Association for Human Services	www.cahs.org
Connecticut Voices for Children	www.ctkidslink.org
Grantmakers for Effective Organizations	www.geofunders.org

Special thanks to Fairfield County nonprofit leaders who generously committed their time to ensure the survey results accurately depict the impact of this recession on their organizations and the people they serve. We are inspired by the ability of Fairfield County's nonprofit sector to continue, and in many cases expand, services in the midst of serious and ongoing economic challenges.

Printing of this report was made possible by a gift from Bank of America Foundation as designated by the late Rev. Richard L. Schuster, the former CEO of St. Luke's LifeWorks in Stamford.

Executive Summary



In this recession, more middle-class families are relying on food pantry support.

“Last year’s donors are now our clients”

The recession of 2008-09 has turned thousands of lives upside down in Fairfield County. In many ways, the impact here has been more powerful than in other regions of the state and country.

The misconception that Fairfield County’s wealth protects it from the challenges facing poorer areas in the state became starkly apparent in this recession. In fact, many aspects of Fairfield County living which have long been heralded as positive signs, were driving forces in making this recession more difficult for area residents.

Fairfield County’s high employment level in the financial services sector - nearly twice the national average - had provided robust incomes and economic growth. But when the market crashed, the economic ramifications were felt early and strongest in Fairfield County.

For more than a decade, the region’s skyrocketing home prices provided a sense of economic security and created equity leverage for homeowners. When home prices began falling and the volume of real estate sales plummeted, however, county residents found themselves with mortgages exceeding their home’s value and monthly payments and property taxes they could no longer afford. Tellingly, Fairfield County leads the state in foreclosures, with more than one out of every five foreclosures in Connecticut.

Fairfield County leads the state in foreclosures, with more than one out of every five foreclosures in Connecticut

Because of Fairfield County's connection to the financial services sector, our investment in housing equity, and the high cost of living here, residents have been disproportionately impacted by this recession.



The recession disproportionately impacted Fairfield County residents.

Fairfield County's high cost of living is another factor amplifying the effects of the recession for residents. Most necessities in Fairfield County carry a premium over other regions of the state and nation. For example, gasoline prices are typically 10% higher than the national average and 2% higher than the state average.

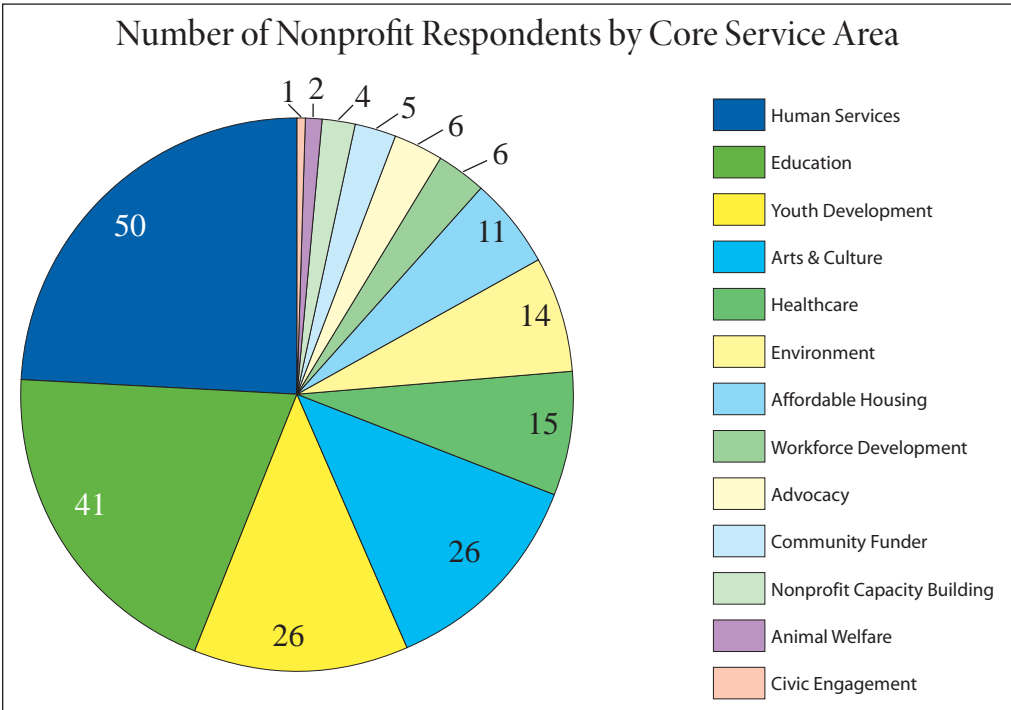
As the financial and housing markets collapsed and job losses and foreclosures climbed, residents who had been struggling fell through the cracks, and those who were just getting by were unable to sustain themselves. Many residents who had previously been in a comfortable financial position, experienced unemployment and steep declines in stock portfolios and other assets.

All of these losses factored into increased need for services and rapid reductions in charitable giving across the county.

If there is a silver lining, it may be the opportunity for nonprofits and donors to make major institutional and infrastructural changes which could benefit the region for decades to come.

Residents, nonprofits, donors and government officials must work together to drive real, structural changes in funding, management, operations and programs to provide long-term stability. Making those changes will be difficult, but it is essential that strategic steps be taken to face a new future.

Executive Summary



Nonprofits serve as a community safety net, stepping in to address needs that government services can't, or don't.

Findings

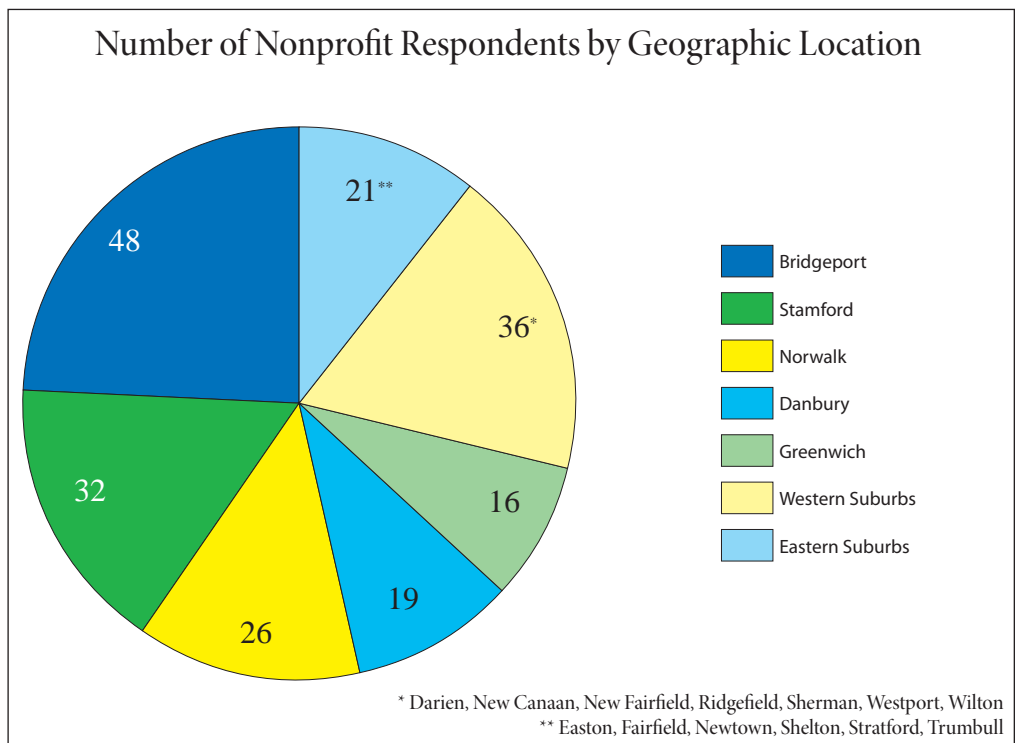
This report focuses on the impact of the recession on Fairfield County nonprofits, the subject of the Foundation's nonprofit survey fielded in the spring of 2009. The survey was modeled on similar surveys conducted nationally by the Nonprofit Finance Fund and regionally by the Community Foundation for Greater New Haven. A total of 208 nonprofits completed the survey – a 34% response rate. Respondents came from all parts of Fairfield County, representing a broad range of nonprofit service areas.

A snapshot of Fairfield County's nonprofit sector provides a clear window into the direct impact the recession is having on area residents. Nonprofits have long served as a community safety net, stepping in to address needs that government services can't, or don't. They are often the first place residents turn when they are facing economic or other challenges.

It is important to note, that the survey was fielded in May 2009. Responses may not reflect the impact of the new state budget and continuing revenue declines. These factors can only make the current challenges facing nonprofits more difficult.

The findings quantify what the Foundation anecdotally knew. They provide detailed analysis of the most pressing needs and concerns. This information will help the Foundation focus its grants and technical assistance where they are most needed or valuable and advise donors and other local funders on how their giving can be targeted for maximum impact.

Most Fairfield County nonprofits do not have the cash reserves needed to survive the recession without making budget cuts or reducing services.



Among the major findings:

- Nearly 81% of nonprofits reported decreased and delayed funding and donations. Between December 2008 and May 2009, nearly one-quarter of nonprofits reported an 11 to 20% decrease in donations. An additional 15% suffered even more significant decreases.
- More than half of Fairfield County nonprofits have experienced an increase in demand for services. The greatest increased demand was reported by organizations that provide food, housing, health care, human services, and workforce development.
- Nonprofits are providing services to Fairfield County residents they have never served before. New clients from higher income brackets and suburban towns join a large increase in the number of lower income clients searching for help with food, housing, health care and job training.
- As a result of revenue losses, more than half of the nonprofits planned to cut their operating budget, with 30% planning cuts greater than 11%.
- Most Fairfield County nonprofits do not have the cash reserves needed to survive this recession without significant cost-cutting action. More than half of the nonprofits lack an endowment fund. Operating reserves are slim to nonexistent. Nearly one-third of nonprofits have no operating reserve and 29% report less than \$100,000 in reserve. Without cutting budgets, half of nonprofits did not have adequate reserves to cover expected revenue losses in fiscal year 2009.

Executive Summary



Fairfield County nonprofits have a disproportionate reliance on private philanthropy, and limited federal, state and municipal funding relative to nonprofits in Hartford and New Haven counties.

Job training programs have increased services to accomodate rising need.

- Due in part to the region's wealth, Fairfield County nonprofits have a disproportionate reliance on private philanthropy to fund their programs and operations. Unlike other regions in the state and country, financial support from federal, state and local agencies is relatively low in Fairfield County. More than half of Fairfield County nonprofits receive no federal funds, nearly 40% receive no funding from the state, and half do not receive funding from the towns in which they provide services.
- Despite losses in revenue and the resulting budget cuts, a majority of nonprofits are either maintaining service levels or increasing services to address the rising demand. Among the basic needs organizations this response was more defined. More than 80% of workforce development organizations reported increasing services, and a large portion of affordable housing, human services and health care nonprofits were also offering increased services.
- Nonprofit executives and boards have been forced to make tough choices in response to the recession. Nearly 20% have laid off staff or cut staff hours. Cuts to staff training and travel allowances, hiring and salary freezes and other cost cutting measures were also common.

For Fairfield County residents, and the nonprofits that serve them, surviving the downturn will require more than battening down the hatches and weathering the storm. Instead, organizations must adapt to what amounts to a climate change.

As of the survey date, nearly 20% of nonprofits had laid off staff or cut staff hours while maintaining or increasing services.

Recommendations

Unlike the recession of 2001 which was relatively short-lived, the impacts of this recession will be felt for a prolonged period. For Fairfield County residents, and the nonprofits that serve them, surviving the downturn will require more than battening down the hatches and weathering the storm. Instead, organizations must adapt to what amounts to a climate change, creating long-term strategies and taking steps designed to ensure stable and flexible operations.

Throughout this report, the Foundation has identified recommendations for donors, nonprofit organizations and government agencies to address specific issues and concerns raised by the major findings. The donor recommendations are largely targeted at institutional and individual donors providing grants of more than \$50,000 each year. The nonprofit recommendations incorporate recent research by national nonprofit management organizations.

Some of the major recommendations are listed on the following pages.



Building reserve funds to provide at least a six-month cushion of cash should be an immediate priority for nonprofits.

Recommendations for Nonprofits

- Building reserve funds to provide a cushion of cash should be an immediate priority for nonprofits. These reserves should cover at least six months of operating costs.
- In tight times, nonprofits should look for opportunities to share services and collaborate on programs with similar organizations to curb costs, reduce overlap, identify gaps in service and increase effectiveness.
- Nonprofits will benefit from openly communicating their struggles and clearly stating their needs to donors and other stakeholders. Organizations can also benefit from serving as resources for local media, providing detailed information and statistics on the challenges facing Fairfield County residents.
- Nonprofits should embrace online giving campaigns and other rapid response fundraising efforts.
- One of the most underutilized assets of nonprofits is the collective knowledge of its board of directors. Organizations must work to fully engage their boards, identify and call on the skill sets of current members to strengthen operations, and recruit new members with needed experience and knowledge.

Gifts to general operating support rather than specific programs will help nonprofits quickly direct funds where they are most needed.



Recommendations for Donors

- Donors should consider gifts to general operating support rather than specific programs.
- One way donors can ensure the causes they care about will always be supported is to help nonprofits build reserve funds.
- Private donors are in a powerful position to help nonprofits increase public funding by supporting advocacy initiatives and testifying on behalf of organizations before state and local leaders.
- Major donors can encourage the nonprofits they fund to develop contingency plans and “true cost” analyses of programs.
- Donor can also support shared services and mergers among nonprofits, a step which can improve efficiency and reduce costs in the long term.



In Bridgeport, 28% of children under 18 live in households with incomes under the federal poverty level (\$21,200 for a two-parent household with two children).

A Tale of Two Counties

Fairfield County is a region of polar opposites.

Its prime location close to New York City and a well educated workforce make it the wealthiest county in the second wealthiest state in the U.S. economy.

At the same time, Fairfield County has areas of great need, particularly in its four cities.

A recent study by Connecticut Voices for Children, based on 2008 census data from the American Community Survey, reveals that 9.1% of the population in the Fourth Congressional District had an income less than the federal poverty level and that 11.3% of children under 18 live in families with incomes under the federal poverty level. (For a two-parent household with two children, the federal poverty level was \$21,200 in 2008.)

In Danbury, 9.9% of the population had an income less than the federal poverty level and 13.7% of children under 18 lived in families with incomes under the federal poverty level. In Bridgeport, these figures were 21.6% and 28%, respectively.

In Fairfield County, the poverty rate increased from 6.6% in 2007 to 8.5% in 2008. The rate was highest in Bridgeport, at 21.6%, followed by Stamford at 12.3%. Danbury and Norwalk rates were 9.9% and 9.6% respectively.¹

Fairfield County's educational achievement gap between low-income students and their peers in middle- and high-income households is among the worst in the nation.

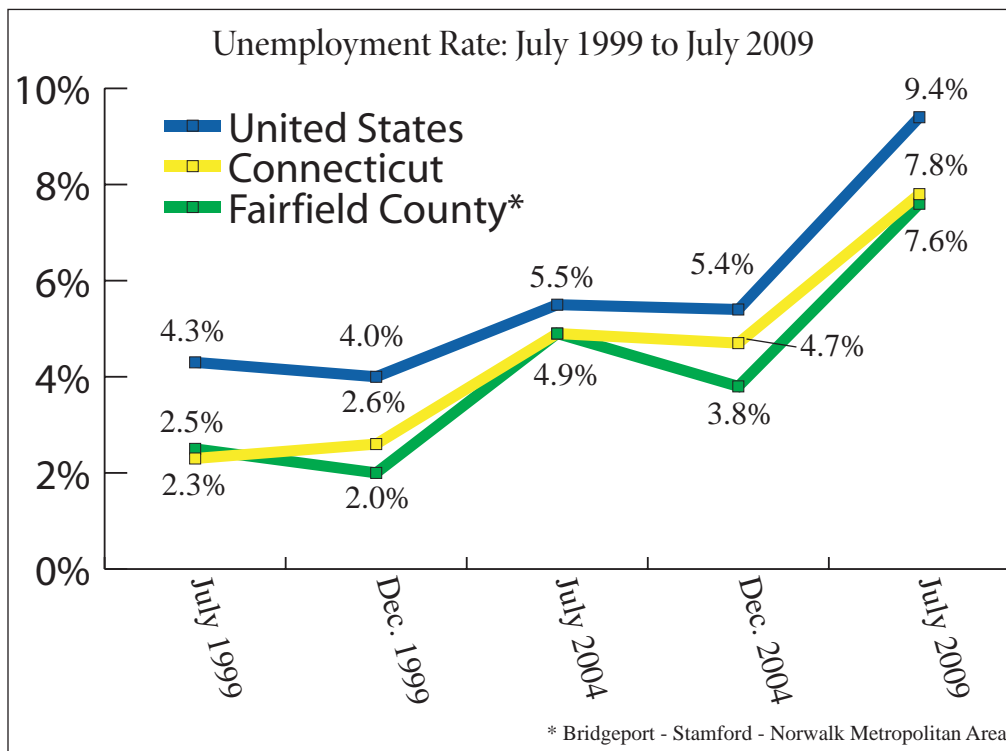


Fairfield County's educational achievement gap between low-income students and their peers in middle- and high-income households is among the worst in the nation,² leading to higher rates of unemployment, underemployment and generally lower wages for residents living in Stamford, Norwalk, Bridgeport and Danbury. In these communities, thousands of residents struggle to provide food, housing, health care and education for themselves and their families.

In good times, state agencies, municipal service programs and, especially, nonprofit organizations funded in part by private philanthropy, help the neediest residents. These organizations provide everything from affordable housing and low cost health care to educational opportunities and nutritious food.

In a recession, however, the gap between rich and poor widens and many formerly stable individuals and families, as well as those who were just getting by, struggle to survive. As the need for services skyrockets, it quickly outstrips the ability of the state, cities and nonprofits to continue providing the same level of services.

Regional Overview



About 7.5% of Fairfield County residents work in the financial services sector, compared to 4.7% nationally. This elevated importance of the financial services sector in the regional economy meant the effects of the recession were felt early and more deeply in Fairfield County.

More Residents Facing Unemployment

The headline of the current recession is “jobs.” Unemployment has climbed to levels not seen since the 1980’s and an increasing number of residents throughout Fairfield County find themselves out of work or working reduced hours.

Since late 2000, Connecticut has seen incremental increases in unemployment and the corresponding need for basic services. In the fall of 2008, that need increased dramatically as the impact of failures in the financial services sector reverberated throughout other sectors of the regional economy, such as the housing market. Fairfield County has about 7.5% of its jobs in finance, compared to 4.7% in the nation.³ This elevated importance of the financial services sector in the regional economy meant the effects of the recession were felt early and more deeply in Fairfield County.

While trailing the state and nation in unemployment, Fairfield County has seen unemployment rates rise from 2% in December 1999 to 7.6% in July 2009.⁴

Unemployment typically hovers below 4% in Fairfield County, but as of July 2009, unemployment rates had increased significantly, particularly in the county’s cities. In Danbury the July 2009 unemployment rate was 7.1% (a 2% increase from the year before); in Norwalk the July 2009 unemployment rate was 6.9% (a 2.2% increase in one year); and in Stamford it was 7.2% (a 2.2% increase over same period in 2008). The unemployment rate in Bridgeport in July 2009 was 11.6 % (up 2.5% from July 2008).

Unemployment levels vary throughout the county. In July 2009, Bridgeport led the county with an unemployment rate of 11.6%, while unemployment in Greenwich stood at 6%.

The suburban towns in Fairfield County were also impacted by rising unemployment rates. For example, Greenwich's unemployment rate in July 2009 was 6.0%, a 1.7% increase since July 2008. Darien's unemployment rate was 6.1%, a 1.9% increase. Trumbull's unemployment rate was 6.6% in July 2009, a 1.6% increase. New Fairfield's unemployment rate in July 2009 was 7.3%, a 2.3% increase since July 2008.⁵

In a recent survey by the Bridgeport Child Advocacy Coalition of more than 1,000 Bridgeport residents, 30% reported losing their jobs.⁶ Of those Bridgeport residents who lost their jobs, 50% had incomes under \$15,000 and another 27% had incomes between \$15,000 and \$29,999. More than half (56%) had children and 62% were not receiving any safety net assistance since losing their job. The impact of the recession in Fairfield County's cities, such as Bridgeport, is clearly significant.



Jim Malone photo

Home sales in Fairfield County dropped more than 30% year-over-year in the fourth quarter of 2008. The median sale price also fell 20% in the same time period.

Fairfield County's Housing Market Hit Hardest

Much of Fairfield County's wealth is directly tied to the local housing market and the feverish rate at which home prices rose during the past decade.

The subprime mortgage crisis had already taken a toll on housing even before the recession hit full swing. Fairfield County has been the hardest hit of all counties in Connecticut when it comes to housing.

In the fourth quarter of 2008, the value of the median single-family home in Fairfield County declined 20.2% from \$545,000 to \$435,000 compared to the same period in the prior year. Statewide median home values have dropped 14.3% from \$280,000 to \$240,000.⁷

Sales volume in Fairfield County underperform the statewide figures. In the fourth quarter of 2008, there were 1,034 single-family homes sold in Fairfield County, a drop of 33.9% or 530 from the same period in 2007. In the same time frame, sales across the state dropped 21%.

But even with the dramatic loss in price, houses in Fairfield County remain unaffordable to many residents. The median price of a home in Fairfield County at the end of 2008 (\$435,000) was \$172,500 or 39.7% higher than Middlesex County, the second highest on the list.

Only 44% of Fairfield County's single-family homes are valued under \$400,000, compared to 81% in Middlesex County and 87.7% across the state (excluding Fairfield County). Eight of the ten highest housing value towns in the state are located in Fairfield County, with Greenwich's median value of \$1,537,500 standing more than six times higher than the state median.

In June 2009, one out of every 3,851 homes in Fairfield County was listed in foreclosure.

Fairfield County also leads the state in foreclosures, with 18% of all foreclosures in Connecticut in the fourth quarter of 2008 and 20.8% in the first quarter of 2009.⁸

In the last three months of 2008, there were 246 foreclosure filings in Fairfield County out of the 1,365 in the state. Bridgeport had 47.2% of all foreclosures in Fairfield County and was second highest in the state, with 116 (New Haven had 117 foreclosures).

In the first quarter of 2009, Bridgeport once again led Fairfield County with 103 foreclosures or 44% of the county total of 234. (Waterbury had the highest number of foreclosures in the state in this time period, with 122 foreclosures.) In April 2009, Bridgeport had the highest number of foreclosures in the county and the state with 47 foreclosures.

Fairfield County's foreclosure rate continued to be the worst in Connecticut in June 2009, with 91 listed foreclosures, a rate of one in every 3,851 homes.⁹



Cayusa photo

Fairfield County residents pay a premium for basic items such as food, housing and energy. Gasoline price averages in Fairfield County are typically 2 to 3% higher than the state average and 10 to 11% higher than the national average.

The Cost of Living Continues to Climb

Known for its high cost of living, Fairfield County residents out of work or facing wage cuts are making hard choices among basic needs.

Despite the recession, the cost of many everyday items continues to rise. Nationally, food prices have risen 2.1% in the past year and medical care costs are up 3.2%. Education and communication costs have risen 3%.¹⁰

In 2008, a family of four with two adults and two school age children living in lower Fairfield County would need to earn an average of \$67,838 in order to meet basic household costs such as food, shelter, energy, clothing, health care, child care and other expenses. A family of four with two adults and two school age children living in Greater Danbury would need to earn an average of \$64,520 to meet basic household costs.¹¹

The only bright spot for consumers has been the energy market, where prices were down 27.8% in June compared to one year ago. At that time, Fairfield County gasoline prices averaged \$3.98 per gallon and have fallen to an average of \$2.87.¹² Again, as with most costs, Fairfield County residents pay a premium for gas compared to the state average of \$2.81 (2.3% lower), and the national average of \$2.63 (9.5% lower).

When it comes to household energy use, Connecticut and Fairfield County residents are increasingly struggling to pay the bills. Energy costs have skyrocketed in the past five years. Fuel oil has risen 142% from a statewide average of \$1.34 a gallon in 2003 to \$3.24 in 2008; natural gas is up 41.2% from \$1.00 per therm in 2003 to \$1.42 per therm in 2008.

In 2008, the average annual home energy bill in the Fourth Congressional District was \$3,566. For the 41,225 in the district earning less than \$40,000, their energy bill was at least 9% of their income.

Electricity rates per kilowatt hour have also climbed 37.5% from \$0.10 in 2003 to \$0.14 in 2008.¹³

In Connecticut, families with income at or below \$40,000 (approximately 185% of the federal poverty level for a family of four) are quite often unable to cover their energy costs for the entire year.

Energy costs are deemed affordable when the total of all heating, cooling, electricity and other home energy bills do not exceed 6% of a family's income. The amount that energy costs exceed the 6% of income target is often referred to as the home energy affordability gap.

In Connecticut's Fourth Congressional District, which includes 16 of Fairfield County's 23 towns, the average annual home energy bill in 2008 was \$3,566. For the 41,225 households in the district earning below \$40,000, the home energy affordability gap was \$2,204. For these households, the average energy bill would require at least 9% of their annual income.

For the Fourth District's lowest earners, the 9,815 households earning less than \$11,025 (50% of the federal poverty level),¹⁴ the energy burden was at least 30% of their income.

Federal and state funding for home energy assistance, however, falls short of the need. In Connecticut, the total home energy affordability gap, the amount by which energy costs exceeded the 6% of income threshold, was \$319.8 million, yet the federal allocation through the Low Income Home Energy Assistance Program covered just \$40.9 million of that gap. Without private donations to statewide nonprofits such as Operation Fuel, many more Fairfield County residents would go without heat or electricity.



Fairfield County's nonprofit sector plays an important role in the regional economy. In 2007, the 1,576 public charities in the county had assets of \$19 billion and expenses of \$5.6 billion.

The Role of Nonprofits in Fairfield County's Well Being

There were 4,487 registered 501(c) 3 nonprofits in Fairfield County as of July 2009, the highest number in any county in Connecticut. Fairfield County's nonprofits account for 31% of all nonprofits in the state.¹⁵ In 2007, the 1,576 public charities in Fairfield County (those nonprofits deriving income from multiple sources unlike a private foundation) reported nearly \$7.1 billion in revenue and more than \$5.6 billion in expenses, with more than \$19 billion in net assets at year-end.

These organizations provide services that range from assisting the region's most vulnerable individuals and families to enriching the quality of life for all residents through arts and culture programs and environmental protection. In short, the well-being of Fairfield County's 23 cities and towns depends on the health and strength of our nonprofits.

While not the focus of this report, it is important to briefly note the larger-picture challenge for nonprofits resulting from the increasing privatization of social services. Over the past decade, services and programs previously provided or financed by state and/or local governments have been transferred to the nonprofit sector.

Nonprofits typically respond to community needs when state and federal funding programs are reduced. However, nonprofit organizations, unlike their for-profit counterparts, do not quickly or easily change their business model, dropping products or services when times are tough. Families still need food and shelter, children still need to visit community health centers, and communities still benefit from open space and artistic exhibitions.

For nonprofits, simply cutting services in response to falling revenue is not an easy option. Families still need food and shelter, children still require medical care, and communities still rely on these organizations for arts and culture programming.

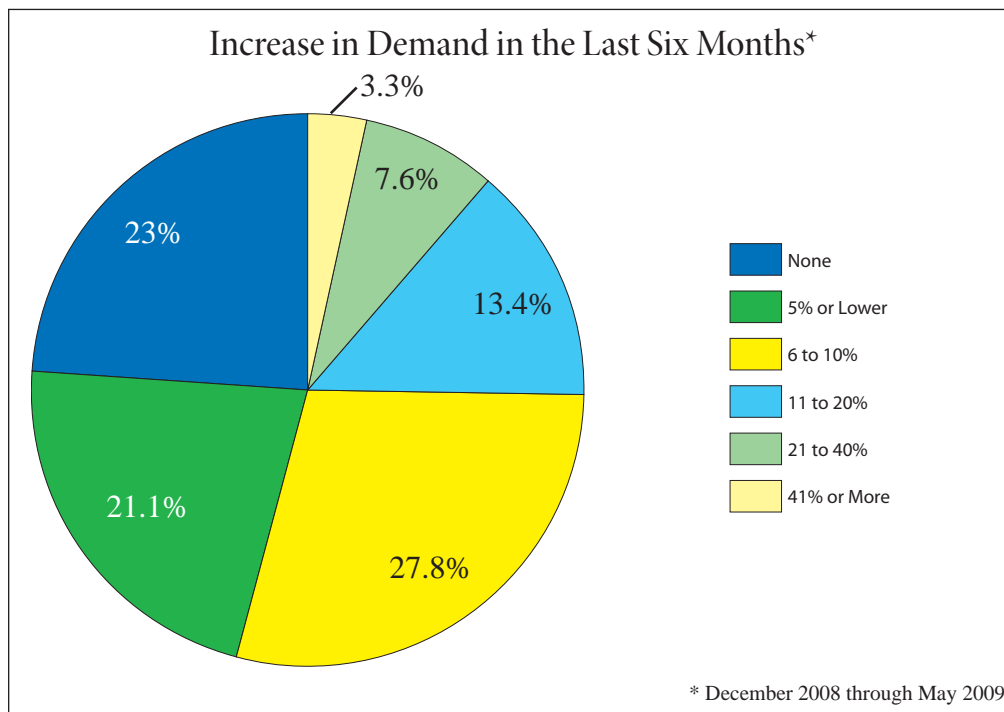
In the 2001 downturn, revenue dropped 3%, but quickly rebounded by 2002. The impacts of the current recession are expected to last years.

Whether nonprofits can continue to function in the face of steadily declining revenue and reserves depends on the length and severity of this recession, measures taken by these organizations to improve management and efficiency, steps taken by the government to increase funding, and the generosity of individual and institutional donors to respond despite the economy. The new state budget, which preserved several important programs, will have an unfolding impact on the county's nonprofit sector.

In this recession, our survey found that nonprofits are doing more with less. All nonprofits face serious challenges due to declining support from all sources and, for those that provide basic needs support and social services, dramatically increasing need. At the same time, these organizations experienced declining revenues and the consequent budget shortfalls preventing, or limiting, their ability to provide the help that is badly needed. Across the spectrum, nonprofits are being asked to do more with less and for those organizations focused on basic needs, more clients than ever are seeking assistance since the recession began.

Compared to the economic downturn in 2001, this recession is expected to be more severe and last longer, extending the pressure on nonprofits. In 2001, nonprofits saw revenues drop by 3% or more in a matter of months. Just as quickly, however, revenue returned, rising more than 5% by 2002 and more than 11% in 2003.¹⁶ In the current recession, most Fairfield County nonprofits expect revenue to continue falling or remain at significantly lower levels for a year or more. Some nonprofits, such as those in the arts sector, had already been significantly impacted by declining corporate contributions in past years.

Results and Recommendations



Nearly three-quarters of Fairfield County nonprofits have seen increases in demand. For nearly 25%, demand is up 11% or more.

A Surge in the Need for Services

As the economy worsened in the early part of 2009, the demand on Fairfield County's nonprofit sector rose dramatically. Individuals and families that were once stable now turned to their local nonprofits for help, and many local nonprofits reported that past donors and contributors were seeking services as clients.

According to this survey, nearly 75% of Fairfield County nonprofits experienced an increase in demand for services. Of those, 27.8% reported demand up 6 to 10% and 24.3% reported demand of 11% or more.

At first thought, these levels of increase may not sound significant. However, they are being experienced by nonprofits that already operated at capacity and struggled to operate with balanced budgets. And they are made far more significant because the same nonprofits simultaneously face ongoing revenue declines.

As expected, the greatest increased demand was reported by organizations that provide basic needs such as food, shelter and health care, as well as human services and workforce development. Among these organizations, workforce development agencies have seen the greatest increase, with 83.3% reporting demand up more than 11%.

Fairfield County residents are often willing to go beyond charitable donations, serving as volunteers and advocates for nonprofits and their programs.

It is vital that nonprofits openly communicate their struggles to donors, volunteers and area media. Highlighting the challenges clients are facing will build support for the organization's work.

Recommendations for Nonprofits

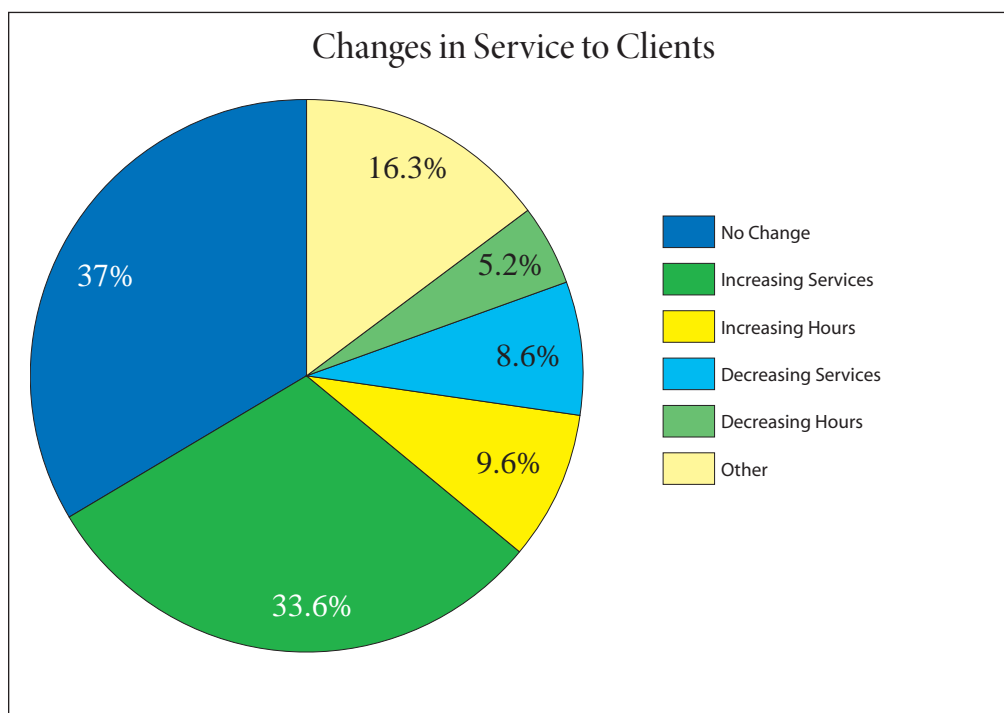
Fairfield County residents have a great capacity to help nonprofits survive the recession and thrive in the future. They will make charitable donations, serve as advocates, or work as volunteers. But their donations and volunteer work will not fully benefit nonprofits if they do not understand why the organization is struggling.

In this recession, it is vital that nonprofits openly communicate about their struggles and clearly state their needs. Tell everyone the organization's story. Let donors and stakeholders know what clients are going through, how the nonprofit is helping them and where and why efforts are falling short. While statistics and numbers will help illustrate the breadth of the challenges facing the organization, be sure to humanize these figures with stories of particular clients who have received help or are in need.

In recent months, local newspapers have carried feature stories on the critical role of Fairfield County nonprofits in meeting new service needs. These articles have eloquently communicated the importance of Fairfield County's nonprofit sector.¹⁷

Nonprofits should serve as a resource for area media, helping them to continue highlighting the challenges facing Fairfield County residents and organizations.

Results and Recommendations



Despite significant revenue losses, more than 70% of Fairfield County nonprofits have maintained or increased services to residents in need.

Offering More Help and Serving New Clients

While subtle, the shifts in client demographics indicate that many nonprofits are providing services to Fairfield County residents they have never served before.

This is most noticeable among workforce development nonprofits, with 16.7% reporting more clients from higher income brackets and more suburban clients seeking job training. In health care, 26.7% of organizations are seeing more lower income clients than in years past and 24% of human services organizations are also seeing more lower income clients than in years past.

In response to the rising number of Fairfield County residents seeking help, many nonprofits are working to maintain or increase services and hours, despite the funding challenges they face. Of all nonprofit respondents, 37% said they had not made any changes in how they serve clients, while 33.6% reported they had increased services. Overall, 9.8% are increasing hours and 16.3% are making other changes, while 8.6% are being forced to decrease services and 5.2% are cutting back hours as a result of the economy.

Among the basic needs organizations, such as those providing food, housing, health care, human services and job training, the response was more defined and pronounced. Workforce development organizations have been strongest in increasing services to Fairfield County residents, with 83.3% increasing services and 50% increasing hours. A total of 54.5% of affordable housing nonprofits, 48% of human services organizations and 46.7% of health care nonprofits also reported increasing services.

In an economic downturn, the need for basic services rises rapidly. Collaborative giving campaigns, which pool large numbers of small to moderate donations, can quickly and effectively address the growing need.

Recommendations for Donors

The need for basic services typically rises rapidly, with little advance warning. Donors must be willing to prioritize funding for basic needs to ensure food, health care, job training and housing services are available for those who are most vulnerable.

Collaborative giving campaigns such as the Fairfield County Community Foundation's Safety Net Giving Circle, United Way of Coastal Fairfield County's Neighbor To Neighbor Campaign, and United Way of Western Connecticut's Take Five To Give Five Campaign are effective strategies because they can pool donations of all sizes and deliver large blocks of funding when it is most needed.

But even the rapid response rate of these recent philanthropic campaigns is often not enough to help residents who are hit first and hit hardest and the organizations that serve them through the year. Making unrestricted donations throughout the year to organizations providing basic needs services can provide a critical reserve pool of working capital.

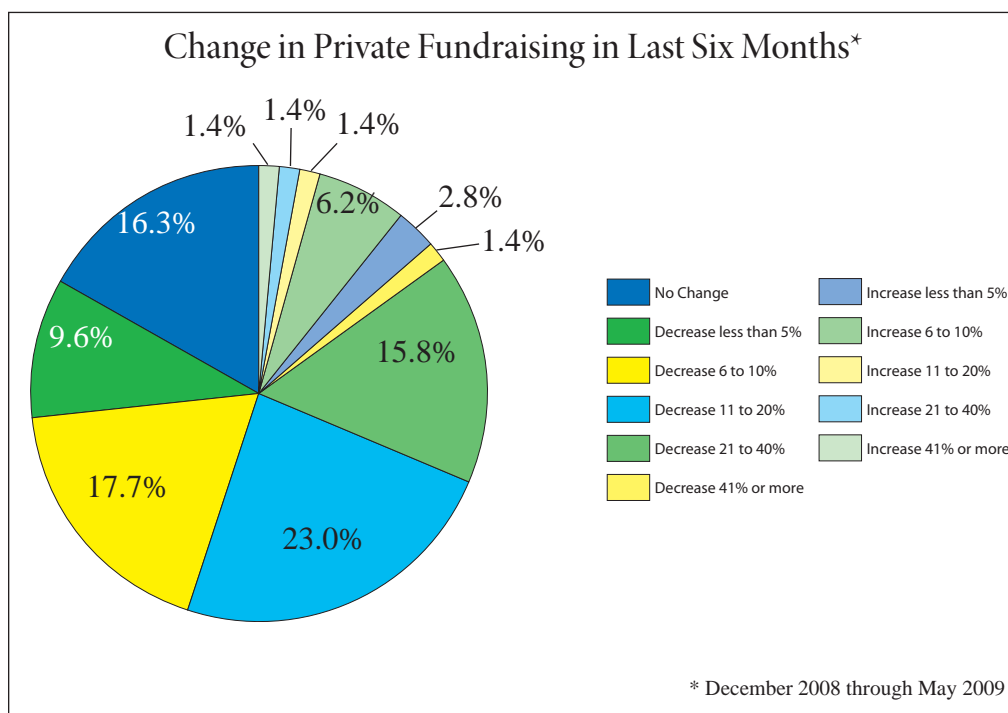
Recommendations for Nonprofits

When an economic downturn drives a flood of new clients to an organization, the ability to quickly generate revenue to respond to the need is paramount. Online giving platforms allow for an almost immediate stream of income.

It is vital to have a "Donate Now" function on an organization's website and a list of current, past and potential donors to whom a nonprofit can quickly and efficiently reach out by email when need spikes. Unlike traditional fundraising campaigns that seek large gifts from a small number of cultivated donors who have made a long-term commitment, electronic fundraising can produce a flurry of smaller donations from new and lapsed donors who are compelled to act by the immediate crisis. These new online donors often have the capacity over time to become loyal supporters, at higher giving levels. Every effort should be made to further cultivate those new donors who show an interest in the future of the organization. One obvious way to do this is to email or call these donors to inform them of what they have collectively achieved by contributing to the organization. This kind of follow up communication can build donor loyalty.

Similarly, new clients who may be facing tough times but are likely to get back on their feet in the near future are another source of future individual donations. Cultivating relationships with these new clients is one of the surest ways to develop future donors. Having gone through challenges and seeing firsthand how the organization made a difference in their lives will often compel these clients to give back to nonprofits helping others who face similar problems. Increased need and new clients therefore offer an opportunity for an organization to significantly increase its visibility in the community.

Results and Recommendations



More than 80% of Fairfield County nonprofits have seen revenue drop as a result of the recession. Double-digit decreases were experienced by more than 40% of nonprofits.

A Dramatic Drop in Revenue

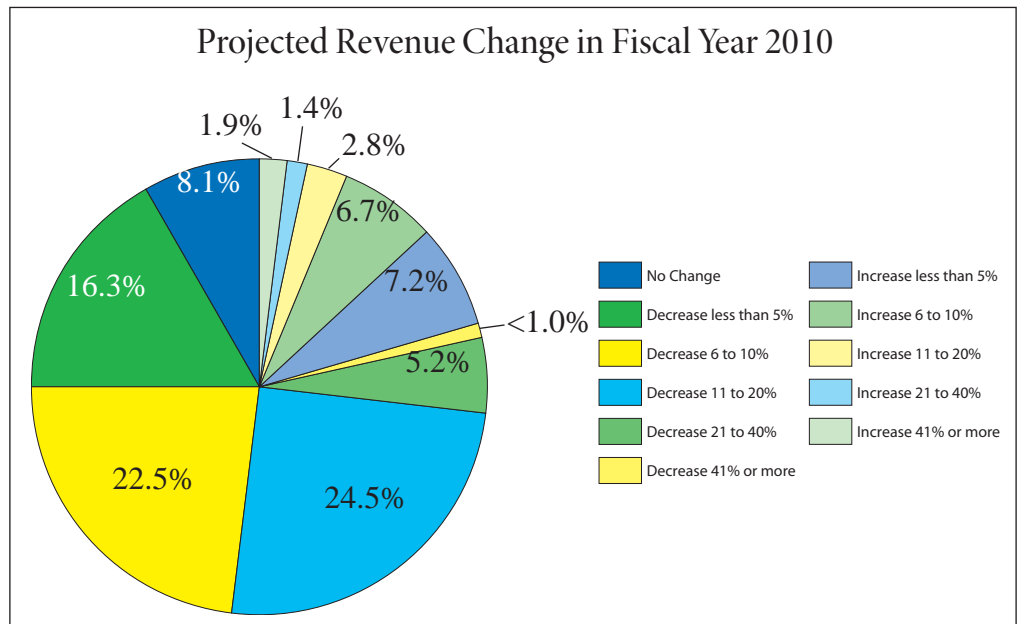
The severity and duration of this recession, the sudden and significant losses in the stock market, declining home values and unemployment have changed consumer spending and decreased charitable giving.

Many Fairfield County residents who were once stalwart donors to nonprofit organizations have hesitated to give this year, or to give as much, as they watched their portfolios, retirement, college savings plans and home equity decrease, and faced the uncertainty of unemployment or reduced salaries.

Nearly 81% of Fairfield County's nonprofits reported decreased and delayed funding and donations and 77.4% said they faced challenges raising private money.

Between December 2008 and May 2009, 23% of nonprofits reported an 11 to 20% decline in private fundraising revenue and another 15.8% saw private donations and grants drop 21 to 40%.

Nonprofits expected this trend to continue in 2009-10, with 69.5% of nonprofits projecting revenue declines, and nearly a quarter expecting revenue to drop by 11 to 20%.



Donor support for general operating costs can be “make or break” for nonprofits in a downturn.

Recommendations for Donors

For donors looking to make the most impact with their charitable giving, this recession offers an opportunity to develop giving strategies which reflect the realities of the times.

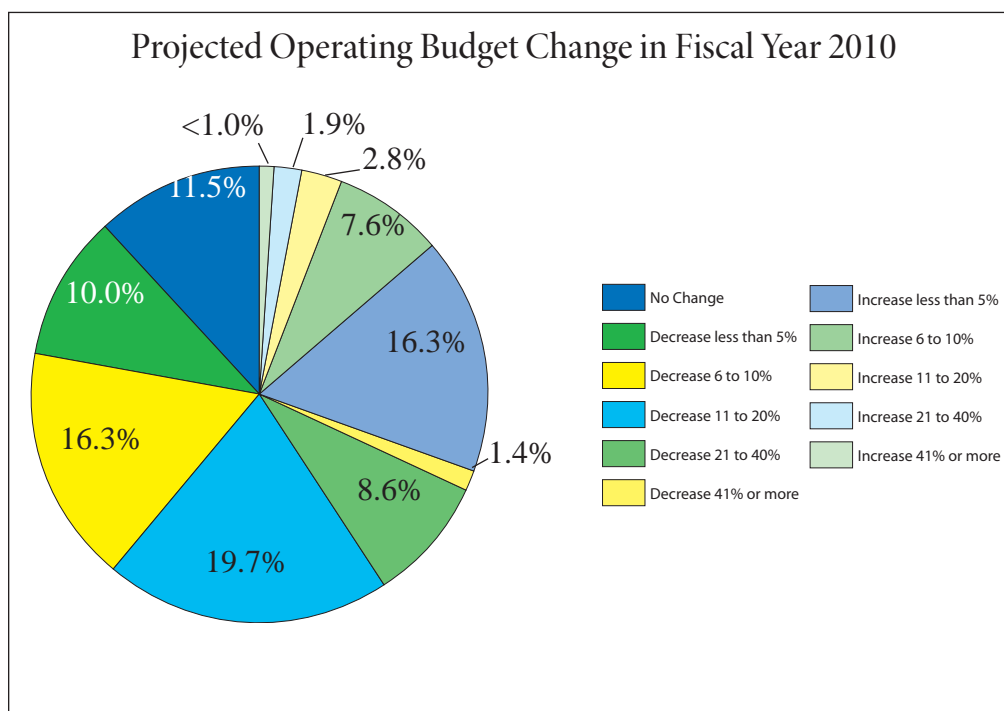
The first step in determining what changes, if any, to make in funding is to reach out to current grantees. By meeting one-on-one with grantees, donors can develop a clear picture of the challenges facing these nonprofits and learn where help is most needed. Donors can also learn that critical help can also come in the form of non-grant assistance, such as access to a skilled pro bono consultant.¹⁸

At this time, donors should consider contributions of general operating support, rather than contributions targeted to a specific program or purpose. This allows nonprofits to use resources where they judge it will do the most good. Donors can also lift restrictions on current grants and allow three month extensions for nonprofits struggling to meet grant goals. When considering future funding, donors might consider offering recoverable grants as cash flow loans to fill voids created by delayed state funding. Donors may also consider accelerating approval time of new donations and donation renewals, so nonprofits can begin planning the use of that money more quickly.

In tight times, donor collaboratives can also prove an important philanthropic vehicle. By pooling grant or gift dollars with peers, donors leverage their investment and can often have greater impact.¹⁹ The Foundation is a member of several local donor collaboratives focused on affordable housing, smart growth, and Latino nonprofits.

Planned giving is another method of funding a major gift and often enables a donor to make a larger gift than would otherwise be possible. Gift options including life income gifts, gifts from a donor’s estate through a trust or will, or even assets other than cash such as real estate, appreciated securities, and other tangible personal property.

Results and Recommendations



More than half of Fairfield County nonprofits planned to cut their 2010 budget due to the recession. Nearly one-third expected to make cuts of 11% or more.

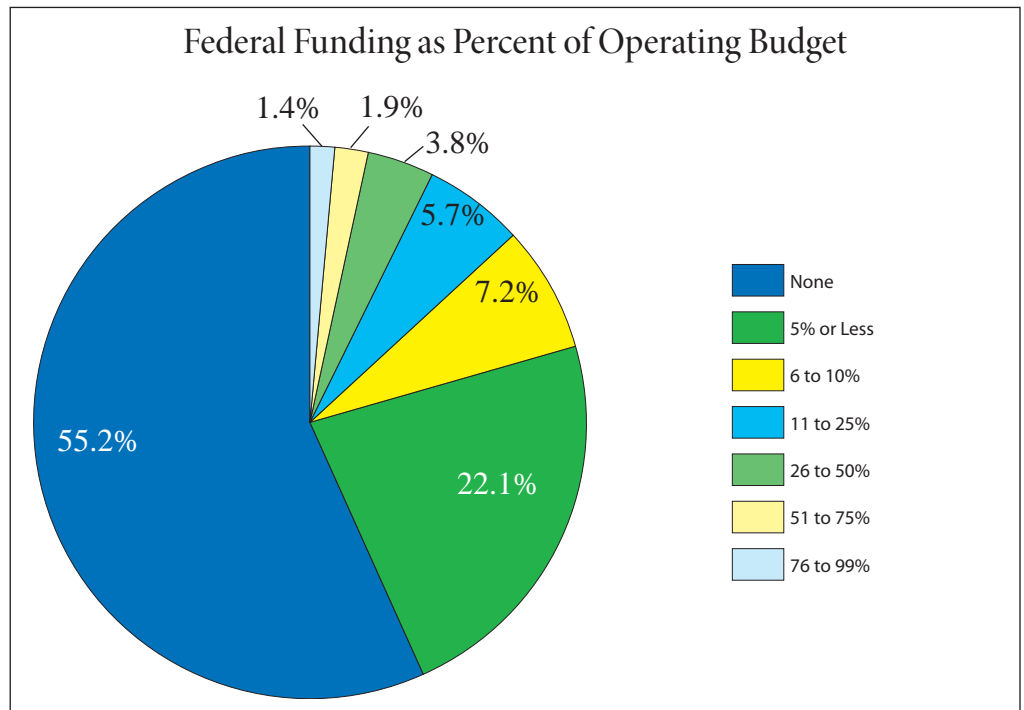
Because many foundations determine grant budgets based on a three year rolling average of asset values, the impact of this recession on funding from foundations may not recover to 2008 levels until 2012 or later. This is important information for organizations that hope lost contributions from individual donors can be made up by foundation funding in the next few years.²⁰

Faced with few signs of optimism or recovery, nonprofits are tightening their belts as they budget for the coming fiscal year. More than half of Fairfield County nonprofits reported they plan cuts to their operating budget in fiscal year 2010, with 29.7% planning to trim operations more than 11%.

Recommendations for Nonprofits

Given the revenue decreases, nonprofits need to aggressively pursue expense reductions, prioritize core services to preserve resources, and potentially consider strategic alliances with other nonprofits. These recommendations are described in greater detail on the following pages.

Fairfield County nonprofits have a disproportionate reliance on private donations and grants. More than half receive no federal funding, 40% receive no state aid and half do not receive funding from the towns whose residents they serve.



Undiversified Revenue Streams

The current recession found many Fairfield County nonprofits with limited sources of income and revenue streams drying up quickly.

Federal funding is very low among Fairfield County's nonprofit sector. More than half, (55.2%) reported they receive no federal funds and 22.1% reported they receive 5% or less of their operating revenue from federal sources. The story is the same for state and municipal funding, with 37.9% of nonprofits reporting they receive no state funding and 49.5% reporting they receive no aid from the towns in which they are located and serve. The public funding landscape is different in the Greater New Haven region. According to the Community Foundation for Greater New Haven's nonprofit survey, over 15% of respondents reported that they rely on state funding for 50% or more of their operating budgets, while another 21% rely on state funding for 11 to 49% of their operating budget.²¹

Not surprisingly, the most important sources of operating income for Fairfield County nonprofits are individual donors, foundations, United Ways, and corporations. Among nonprofits, 36% reported they receive 11 to 50% of their revenue from private sources and 13.9% reported they receive 51 to 100% of their income from private sources. The reliance of Fairfield County nonprofits on private philanthropy is repeated in other areas of the U.S. where great wealth is located in close proximity to great need.

Reliance on corporate support was less significant than contributions from individuals and foundations. However, it is widely anticipated that corporate support will continue to decrease as companies respond to the recession.

Results and Recommendations

Recommendations for Donors

It is important for donors to understand the financial health of the organizations they support. Revenue diversification, contingency planning and budgeting during tough times should be part of the “stress test” donors apply to an organization when considering making a grant or gift. These should be the standing agenda items in discussions between donors and nonprofits.

At the same time, donors can help to develop stronger state aid to Fairfield County nonprofits. The impression that Fairfield County does not need financial resources from the state is a fallacy. Strong advocacy efforts are needed to educate the legislature on the great need throughout the county. Individual donors should consider contacting their state legislators regarding the importance of specific services provided by specific nonprofits.

Donors can also participate in this effort by funding organizations that advocate on behalf of the Connecticut nonprofit sector, such as the Connecticut Association of Nonprofits, and by encouraging nonprofits, particularly health care and workforce development organizations, to increase their advocacy efforts in Hartford.²² Donors can also consider hands-on volunteering as advocates for services delivered by specific organizations.

Donors can support advocacy efforts to increase federal and state aid to Fairfield County nonprofits to address needs throughout the county.

Recommendations for Nonprofits

In order to survive in lean times, nonprofits must develop diverse revenue streams. According to the Nonprofit Finance Fund, the challenge of accomplishing this goal lies in ensuring the operating cost of attaining diverse revenue streams does not outweigh the value of the income being generated. “Diversify revenue with caution; consider new revenue streams, but be aware of risks related to new lines of business—accessing new revenue often creates new costs,” states the Nonprofit Finance Fund.²³ Heavy reliance on a single or a few sources of income is also risky because a nonprofit’s funding sources often dry up (donors relocate, foundations change priorities, government funding is reallocated, etc.).

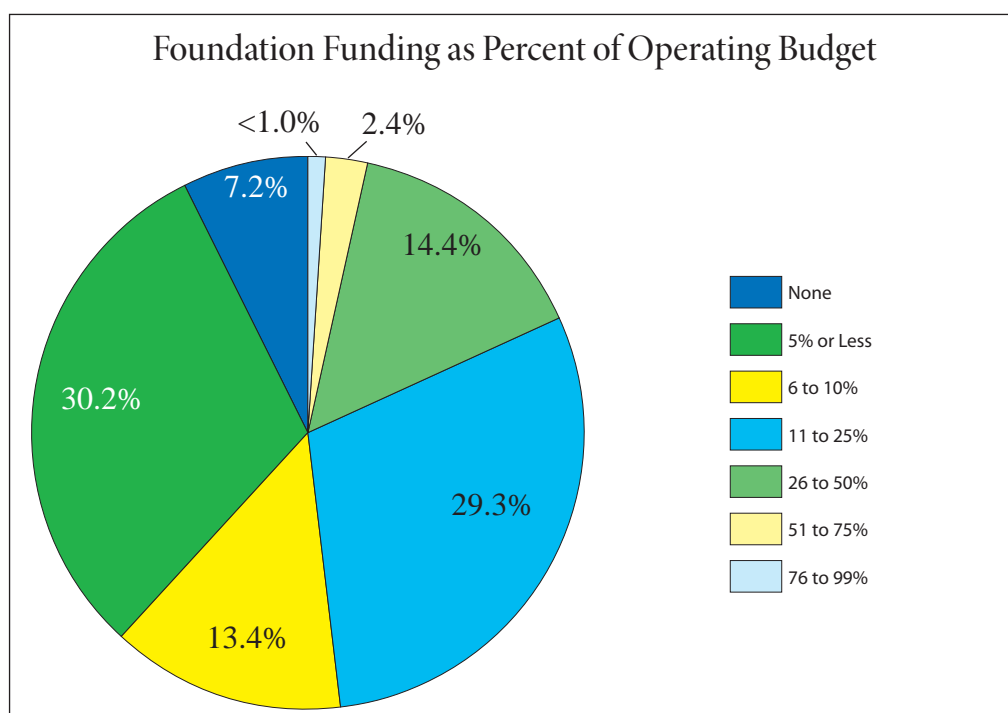
Fairfield County nonprofits must work more closely with state legislators to increase state funding in the region.

Nonprofits should examine the private funding burden of programs largely operated through state and federal grants. Nonprofits should also attempt to renegotiate state contracts when state funding has not kept up with the true cost of providing services. Many Fairfield County nonprofits have already worked hard on this issue.

Nonprofits must think strategically about all new services and programs, particularly those started with a large multi-year gift or grant. When accepting large gifts meant to create and run a program for more than one year, nonprofits must have a realistic plan in place for funding the program once that gift runs out.

Planned gifts and bequests are another area of funding that nonprofits often overlook when creating a development strategy. Past and current donors may be interested in a larger commitment meant to provide consistent annual support for an organization which can provide stability for the future.

Along with drops in donations and grants, nonprofits relying on revenue from fees for service - particularly healthcare and arts organizations - are experiencing reduced spending by Fairfield County residents, and greater numbers of patients unable to pay even modest fees.



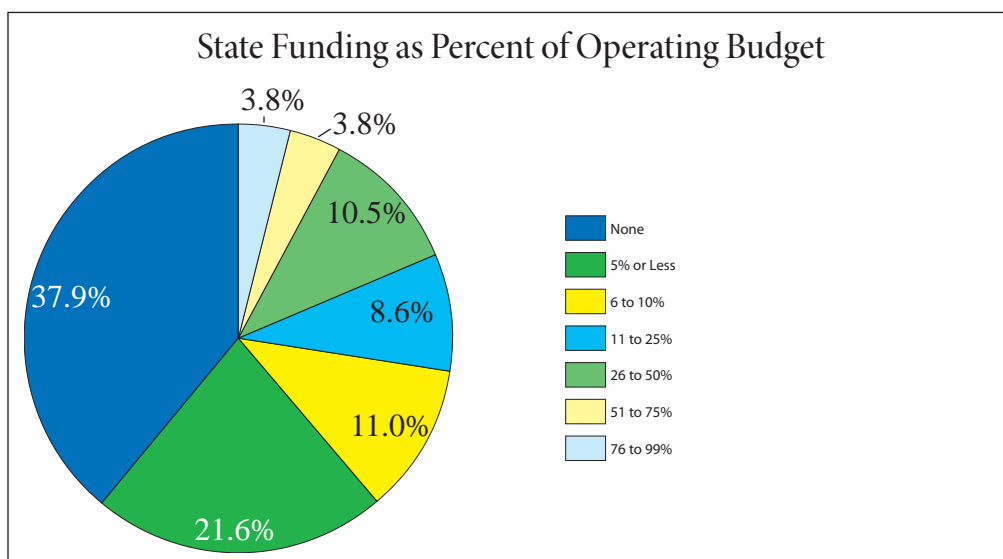
The largest block of nonprofits, 43.2%, reported they received 5% or less in corporate funding, with another 35% receiving 6 to 25% of their revenue from corporate donations and grants.

Foundations provide critical income for nonprofits, with 29.3% reporting they receive 11 to 25% of their income from foundations and another 14.4% receiving 26 to 50% of their revenue from foundation grants.

For some organizations, earned income from fees for services, ticket sales and other sources was a sizeable revenue generator. During the recession, however, these organizations, typically arts or health care nonprofits, are experiencing reduced spending by Fairfield County residents or patients unable to pay even modest fees.

Among health care nonprofits, 53.3% reported a decrease in paying clients and fees for services. Similarly, 30.8% of arts organizations reported a decrease in paying clients and fees and 42.3% have seen membership revenue, a critical component of their annual revenue stream, drop precipitously.

Results and Recommendations



Recommendations for Government Officials

Despite the “Gold Coast” label, there are real needs in Fairfield County communities.

Fairfield County’s legislators must continue to work in Hartford to correct the “Gold Coast” myth, demonstrate the needs that exist, and help secure state funding. Nonprofits must be a strong ally in this effort, documenting need, evaluating the effectiveness of state funding, and justifying an increased share of state spending.

Legislators in Hartford and Washington D.C. must also continue to build a collaborative relationship with nonprofits and demystify the process of applying for government grants. Particularly for small to mid-size nonprofits with little or no government grant writing experience, applying for state and federal funding may be an overwhelming process, discouraging nonprofits from seeking possible government funding.

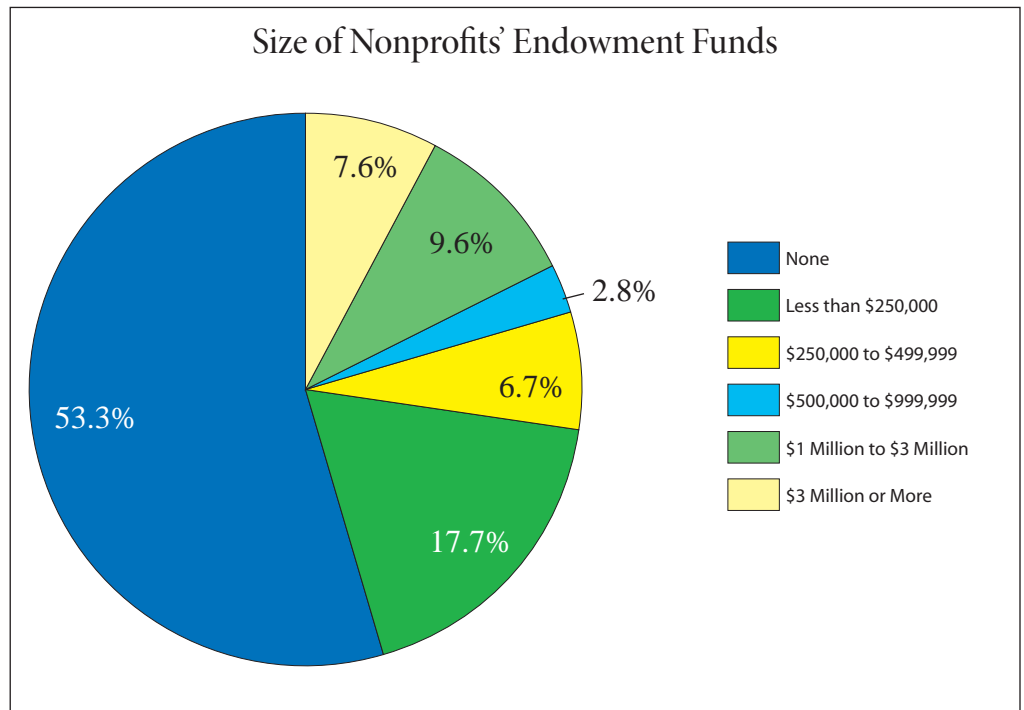
The office of the Fourth Congressional District has sponsored many federal grant forums, especially ones focused on the American Recovery and Reinvestment Act of 2009. The Fairfield County Community Foundation, in partnership with the Connecticut Council for Philanthropy and other community foundations across the state, also sponsored an April 2009 conference for nonprofits entitled “What Nonprofits Need To Know About the American Recovery and Reinvestment Act.” More than 300 nonprofit executives and board members attended this conference.²⁴ These events have had a positive impact on the ability of nonprofits to understand and secure additional funding and other resources and should become recurring efforts by our representatives.

Finally, mayors’ offices in Bridgeport, Danbury, Norwalk and Stamford carefully track state and federal funding and often have longstanding relationships with local nonprofits for partnerships on public grant applications. In this economy, and moving forward, these relationships need to be continued and broadened, with local leaders reaching out to their nonprofits for increased collaborations on grants and public funding.

Government officials must recognize that despite the “Gold Coast” label, there are real needs in Fairfield County. Nonprofits would benefit greatly from help in demystifying the government grant application process.

Without making budget cuts, half of Fairfield County's nonprofits did not have sufficient reserves to cover the revenue losses in fiscal year 2009.

More than half of Fairfield County nonprofits do not have an endowment fund. One-third do not have an operating reserve and another 30% have less than \$100,000 in a reserve fund.



Limited Cushions of Cash

According to survey results, very few Fairfield County nonprofits have adequate operating reserve funds and endowments to support them during difficult times. These funds provide breathing room when unexpected or even expected changes in revenue or expenses derail budgets.

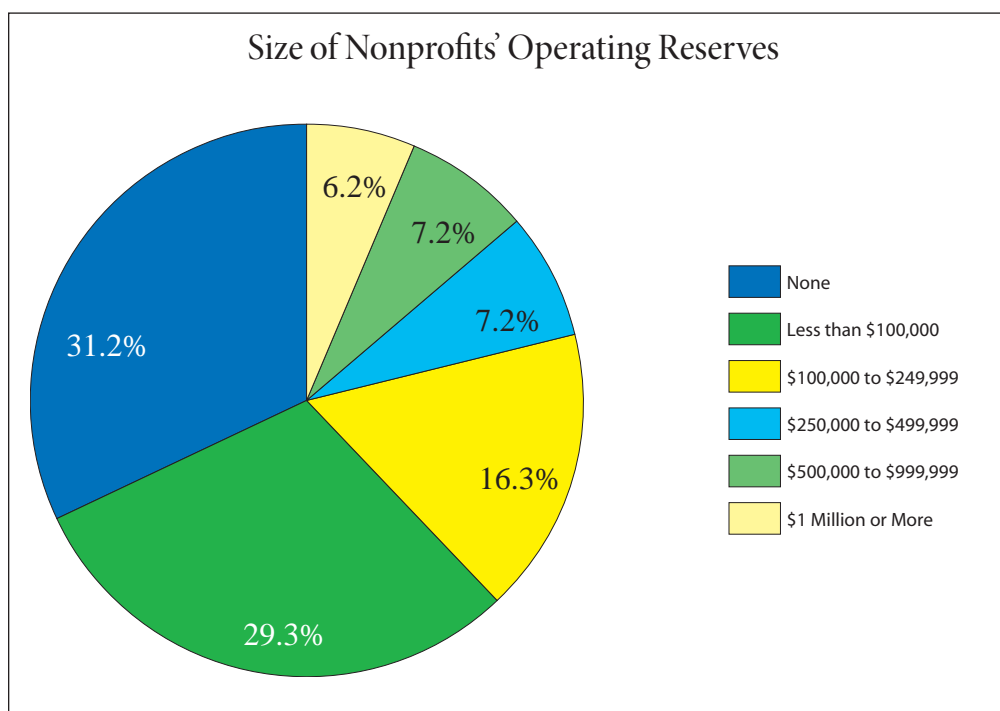
More than half of the nonprofits (53.3%) reported they have no endowment and 17.7% reported they have less than \$250,000 invested. Operating reserves are also slim or nonexistent (31.2% of nonprofits reported they have no reserve fund and 29.3% reported they have less than \$100,000 in reserve).

Half of the nonprofits (50.5%) reported that they have less than 10% of their annual operating budget in a reserve fund. Another 19.2% reported they have less than 25% in reserve and nearly one quarter (23.6%) have less than 50% in reserve.

Based on the average expected reductions in revenue of 11 to 20%, half of the nonprofit respondents faced the likelihood of running out of reserves in fiscal year 2009 unless they made significant changes on the expense side. Another 19.2% expected to see reserves fully depleted sometime between the first quarter of fiscal year 2010 and the second quarter of fiscal year 2011.

Arts and culture organizations frequently rely on a steady stream of income from endowment funds and are particularly vulnerable to market losses in their endowments. With diminished assets from which to draw funding, arts organizations are forced to make cuts commensurate with losses or seek replacement funding from other sources, a difficult task in this economy.

Results and Recommendations



Donor contributions to reserve funds can help ensure nonprofits will have the resources to meet the need for service no matter what the economic situation.

Recommendations for Donors

Donors are passionate about the nonprofits they support, basing where and how their gifts will be used on a variety of factors. However, often the best way a donor can support an organization in whose mission they believe is to allow that organization's leadership to decide where the gift will make the most impact. In contrast, restricted grants can intensify the liquidity challenges nonprofits often face.²⁵

For donors, general operating support can be the best way to ensure mission-critical nonprofits will survive. Grantmakers for Effective Organizations states that "access to general operating funds can be make or break for nonprofits in this economy."²⁶ Nonprofits often struggle to raise money for the "pencils, pens, electricity, and staff" to get the job done, but can more easily raise funds for programs and services. Donor support organizations, such as Grantmakers for Effective Organizations and the Center for Effective Philanthropy, have researched how general operating support grants can be evaluated, which is often a concern of donors.²⁷

Helping nonprofits build operating reserves and endowments is another important role donors can play. While there is no immediate sense of satisfaction in knowing the donation is currently helping those in need, donors should feel confident that their gift to an operating reserve ensures that need will always be met, no matter what the economic situation.

If a donor feels strongly about funding a particular program or service, they can also consider funding the full operating cost of that program. Typically, allowing up to 20-25% of a grant to be used for overhead expense is a good way of ensuring the program will have the staffing and support it needs to be successful.²⁸

It is vital for nonprofits to have at least six months of cash in reserve to withstand shocks, such as large facility repairs, funding cuts, and payment delays.

Diverting budget surpluses to a reserve fund in good years is one way to provide a safety net of cash for leaner times.

Recommendations for Nonprofits

It is difficult for nonprofits to build capital reserves at the same time they are seeking donations and grants to fund current programs and services. The concern is that potential funders may deny a request because the organization has a reserve fund which could cover the amount requested, or that the organization should not “stockpile” a reserve when it could potentially be helping more people.

But it is vital for nonprofits to have at least six months of cash in reserve in order to withstand shocks, such as large facility repairs, funding cuts, and payment delays.²⁹

There are ways nonprofits can address the uncertainty of the future while still effectively fundraising for current needs.

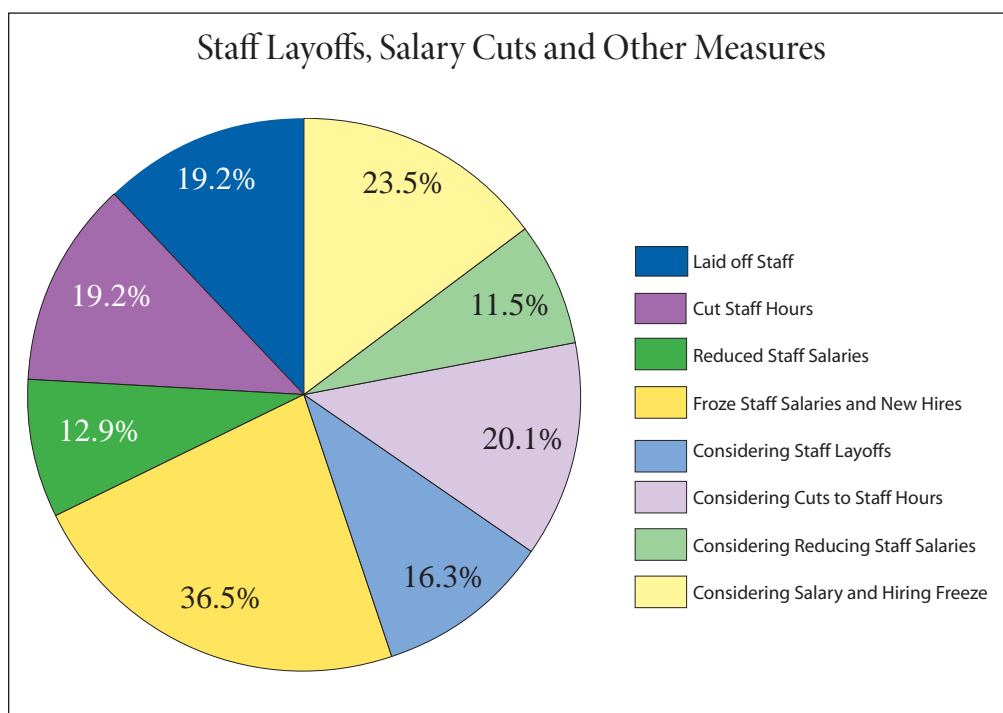
If a reserve fund or endowment is part of a nonprofit’s strategic plan, its role should be easy to describe to all potential funders. This recession illustrates why organizations need operating reserves. Nonprofits should gather data on the revenue losses and increased demand they experienced during this past year and use this data to determine how large an operating reserve they need to build. Building such a data-driven case for an operating reserve should demonstrate to donors that the nonprofit is well managed and making smart decisions about its future.

There are ways to build reserve funds outside of a fundraising campaign. Nonprofits should consider incorporating reserve building into their annual budgets. Setting a goal for an operating reserve which will provide a cushion of at least six months of operating capital is the first step in this process. Once the target is known, nonprofits can plan to divert a low, predetermined percentage of each year’s budget into this fund without disrupting day-to-day operations and continue funding the reserve until the goal is met.

Although not realistic at present, diverting a percentage or entire end-of-year surplus into an operating reserve fund is an alternative way to set aside funds which will not be missed from the daily management of the organization.³⁰ Organizations which followed this strategy during good years are in a much better financial position at this time.

Cash flow monitoring is especially important at this time. The Nonprofit Finance Fund advises small and mid-size nonprofits to conduct monthly cash flow projections that run out for 12 to 18 months.

Results and Recommendations



In fiscal year 2009, nearly 20% of nonprofits laid off staff or reduced staff hours. Another 16% were considering layoffs for fiscal year 2010.

Making the Hard Choices

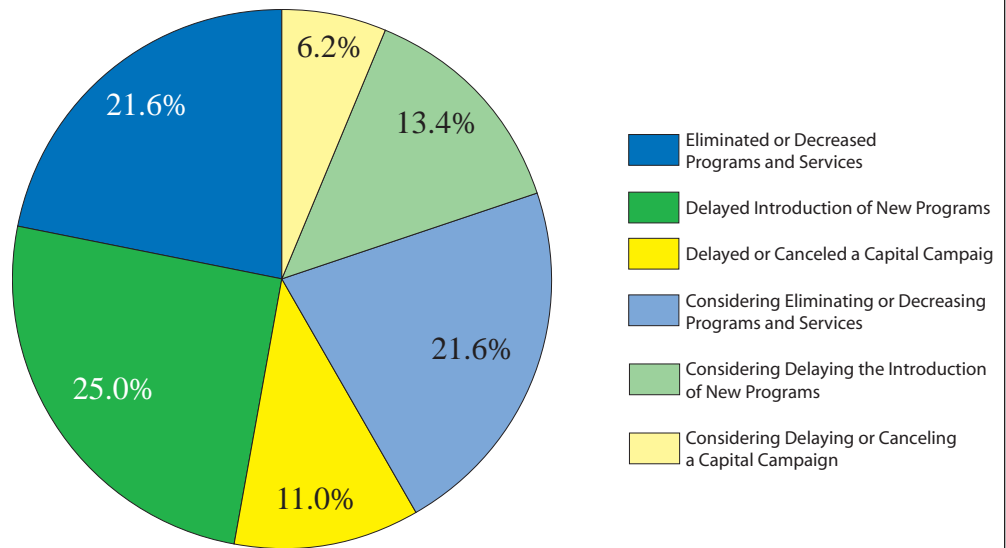
Balancing declining revenues and increasing need means nonprofit executives and boards are forced to make tough choices when it comes to cost savings. Obvious opportunities for savings are taken advantage of first, with 39.4% of nonprofits reporting they reduced training and travel allowances, 36.5% froze hires and current staff salaries, 24% changed health insurance programs, 19.2% renegotiated contracts and 12% reduced retirement or pension contributions. Anecdotally, the Foundation has heard that many cash-strapped nonprofits have shifted some additional costs of health insurance coverage to employees.

At the time of the survey, fewer nonprofits had eliminated staff and reduced staff salaries, with 19.2% reporting staff layoffs, reduced staff hours with shortened work weeks or unpaid furloughs and 12.9% reporting reduced staff salaries. But more nonprofits were considering those options for future savings in fiscal year 2010, with 16.3% considering staff layoffs, 11.5% considering reducing staff salaries and 20.1% considering reducing staff hours.

The additional challenge for many nonprofits, especially those who generate fees for services, is the lost opportunity to produce revenue when they reduce staff or staff hours.

The most painful step nonprofits take is reducing or eliminating programs and services designed to help the increasing number of clients coming through their doors. However, 21.6% of nonprofits reported eliminating or decreasing programs and services and another 21.6% were considering this option for future savings.

Cuts to Programs, Services and Capital Campaigns



Prolonged cuts to staff professional development can be damaging to a nonprofit's ability to achieve long-term growth.

Recommendations for Donors

Knowing how a gift or grant will fit into the overall revenue of an organization is important to understand.

Donors can ask nonprofits what the full cost is of the program they are considering funding. They may be able to fund the full cost of one program, including staffing and back-office support, rather than pieces of several programs. If that is not possible, knowing how the nonprofit plans to fund the program so it is not drawing from reserves or adding to a budget deficit is important information to have.³¹

Donors should know what contingencies a nonprofit has in place before providing significant funding. If a nonprofit is cutting staff or reducing hours, it may not be able to ensure its programs and services are effective.

While staff professional development is often an early budget-cutting target, prolonged lack of training can be damaging. Accordingly, donors might consider funding staff professional development, achieving a long-term impact on program quality and administrative operations.

Results and Recommendations

Recommendations for Nonprofits

Many Fairfield County nonprofits have successfully renegotiated vendor contracts of all types. In this economy, vendors are often more willing to adjust fees rather than lose contracts entirely.

A recent report on outsourcing in the nonprofit sector funded by the Eugene and Agnes E. Meyer Foundation highlights that outsourcing back office services to a back office provider is a promising strategy to reduce overhead costs over the long term. However, this report also noted that current business models for outsourcing are not well suited for organizations with operating budgets under \$3 million and fewer than 20 staff.³²

Cutting already lean budgets is extremely difficult and can often produce unintended consequences. Along with decreasing productivity and staff morale, staffing cuts and associated reductions can also reduce a nonprofit's ability to raise funds. In most nonprofits, which are typically understaffed even in a strong economy, every staff person plays, or should play some role in developing sources of revenue.

Low cost, local capacity building workshops are an excellent way for nonprofits to obtain valuable staff and board training without breaking the budget. Such workshops are offered by the Foundation's Center for Nonprofit Excellence, the Greater Danbury Nonprofit Resource Center, Pro Bono Partnership and the Volunteer Center of Southwestern Fairfield County.

Organizations should review their needs and develop a professional development plan to provide their staff with the information and resources they need. Nonprofits can also consider adding a small amount of professional development expense to each grant proposal (\$500-\$2,000, depending on the size of the grant request) in an effort to recapitalize the organization's professional development budget.

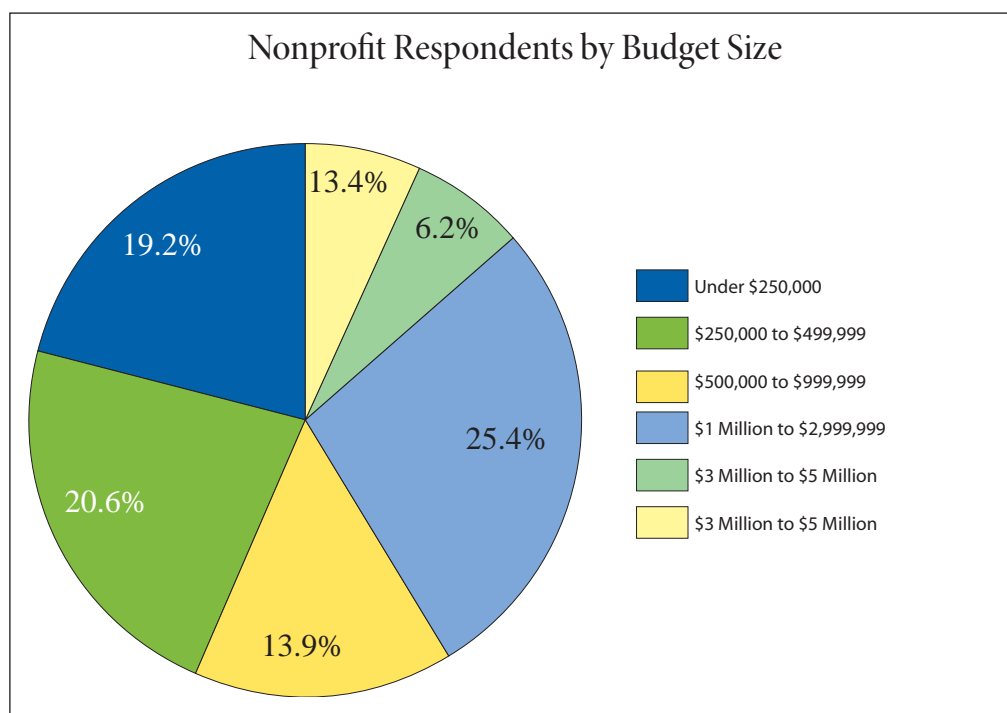
Knowing the true cost of each program via a "program profitability analysis" is important information for nonprofits making hard decisions about eliminating programs.³³ Programs which are ultimately identified to be loss leaders – those losing money and not strongly aligned with mission – should be the first programs to be eliminated in a recession, and constantly reviewed in good times.

Contingency budget planning is another way nonprofits can think strategically about potential cuts. Nonprofits should think carefully about cutting flagship programs which could be very difficult to relaunch when the economy improves. Budget cutting should be conducted within the context of a long-term vision or plan.³⁴ When nonprofits conduct program profitability analyses and contingency budgeting, they should freely share this work with their donors. This information will demonstrate planning, viability and management skills and help donors understand how their past and future investments are being used and protected.

Nonprofits that develop a clear picture of what is vital to organizational success and where there is room to make cuts without significantly impacting effectiveness are in a better position to weather present and future economic downturns. For some nonprofits, the recession presents an opportunity to "right-size" the organization so that revenue and expenses are better balanced.³⁵

Cutting already lean budgets can often produce unintended consequences. Staffing cuts can reduce a nonprofit's ability to raise funds, as most staff members play some role in developing sources of revenue.

Larger nonprofits tend to have a more diversified stream of revenue and are also more likely to have endowment funds and operating reserves.



Finding Strength in Size

When it comes to weathering this recession, Fairfield County's larger nonprofits – those with operating budgets exceeding \$1 million – appear to be in a stronger position.

Typically these organizations have more diversified revenue streams, drawing significant income from five or more sources including government funds and grants. In contrast, organizations with budgets under \$1 million tend to receive their largest blocks of funding from only three or four sources, mostly private donations and grants.

These larger nonprofits are also more likely to have endowment and operating reserves. While 63.8% of organizations with budgets over \$1 million reported they have an endowment or board designated fund, only 31.2% of nonprofits with budgets under \$1 million reported they had such funds. When it comes to operating reserves, 76.6% of nonprofits with budgets exceeding \$1 million had an operating reserve, while 61.6% of organizations with budgets under \$1 million reported a reserve fund.

Because diversified income streams and reserve funds can offset losses in revenue, larger organizations appear better able to respond to rising need among Fairfield County residents. While 40.4% of nonprofits with budgets over \$1 million reported increasing services to address rising need, only 28.6% of organizations with budgets under \$1 million increased services.

Results and Recommendations

In this recession, core programs central to an organization's mission should take precedence over newer programs which seek to expand reach.

Recommendations for Donors

Large organizations play an important role in the regional nonprofit sector. If large organizations falter, the impact on the regional nonprofit sector will be profound. Therefore, giving to large nonprofits is important.

At the same time, small and mid-size nonprofits are important and often serve as the incubators of innovative solutions to needs and challenges in Fairfield County. Recognizing the value of these organizations and understanding that they may face the greatest risk during a recession should also be considered by donors when setting funding priorities.

We recommend that donors be extremely wary of supporting start-up organizations at this time.

Small and mid-size nonprofits are often the incubators of innovative solutions to needs and challenges in Fairfield County. In a recession, these smaller organizations are often at the greatest risk.

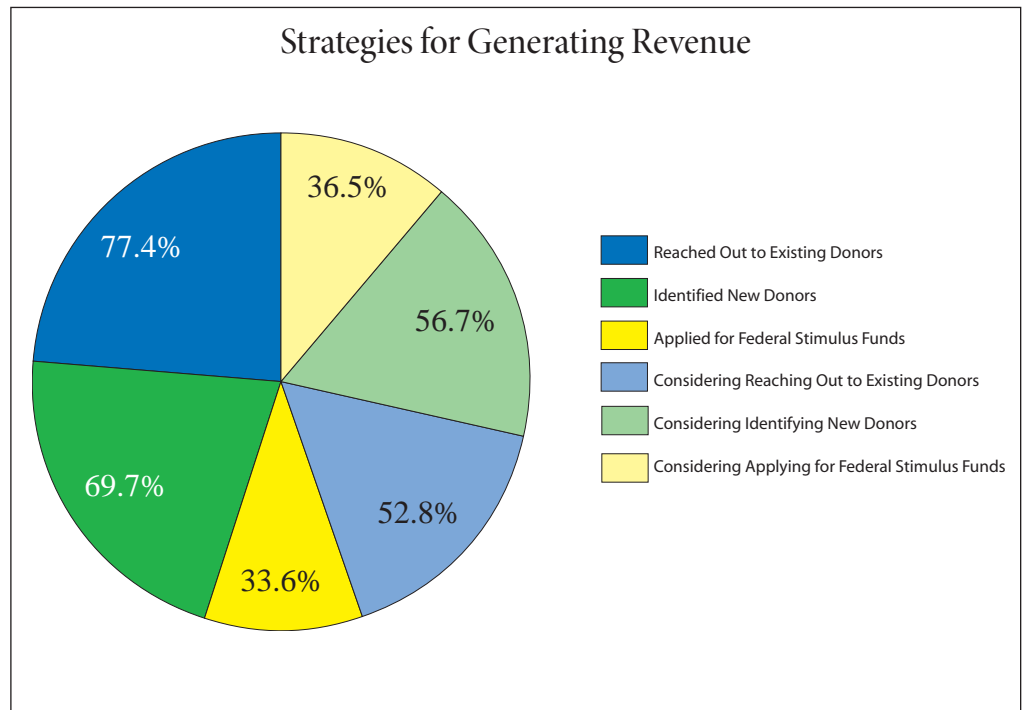
Recommendations for Nonprofits

Starting a new nonprofit in this economy is a challenging proposition. Individuals with ideas for new nonprofit organizations should carefully research the field to identify an existing, fiscally strong nonprofit. The Fairfield County Community Foundation can connect new nonprofit entrepreneurs with existing organizations working in their field.

Existing organizations should think carefully before starting a new program and should instead focus their energy on surviving this recession. Core programs central to an organization's mission should take precedence over newer programs which seek to expand reach. Earned income ventures are also highly challenging to launch in this economy.

For smaller organizations struggling to survive in this economy, we encourage careful consideration of shared services or mergers. Legal mergers, with their accompanying costs, may not be needed if the flagship program of a small nonprofit can be transferred to another nonprofit and the small nonprofit closes its doors.³⁶

While a painful step, revenue losses forced more than 20% of nonprofits to cut services and programs designed to help the increasing number of clients coming through their doors.



Weathering the Economic Storm

For many nonprofits, this recession has been a riveting struggle for survival. Most organizations lacked adequate reserves or an endowment to tap to alleviate the pressure of short-term revenue loss and were forced to take difficult steps to shore up income and reduce expenses.

On the revenue side, more than 75% of nonprofits turned to those who had helped before, asking current and past donors to dig deeper and make further commitments to enable the organization to continue its work. Nonprofits also improved marketing (46.6%) and reached out to new potential donors, (69.7%). More than one-third of Fairfield County nonprofits (33.6%) had applied for federal stimulus funding and more than half (57.2%) had identified alternative sources of income.

Hoping for the best but preparing for the worst, many nonprofits have taken a hard look at their operations to determine how they can continue providing needed services to Fairfield County residents on a shoestring budget. Looking ahead, 42.3% of nonprofits have importantly developed a “worst case scenario” budget, projecting the steps they would take in fiscal year 2010 if revenue dropped 20%, 30% or more.

Results and Recommendations

This is the perfect opportunity to re-engage donors who have lapsed in their giving in recent years. The renewed sense of urgency is likely to reignite the passion these donors once had for the organization.

Loyal donors who have exhibited a long-term commitment to a particular nonprofit can be a source of increased funding to replace lost revenue if approached with a strong case for support.

Recommendations for Nonprofits

This recession is the perfect opportunity to re-engage donors who have lapsed in their giving in recent years. The renewed sense of urgency is likely to reignite the passion these donors once had for the organization and help them realize why they provided support in the first place.

At the same time, prioritize loyal donors and with a strong case, ask them to increase their giving. Nonprofits will never know their donors' capacity to give unless they ask, and if handled well, a loyal supporter who believes in the mission will be frank about when they can offer no further financial support.

A standard fundraising letter, email or phone call may not be appropriate. If targeting large gifts, use past experience to narrow down a list of donors and develop a campaign to raise a set amount from each. Site visits and personal meetings to further explain the urgency and increased need are important and let the donor know their role is recognized and valued.

Some donors can also provide critical management and strategic planning advice to help an organization navigate the recession. It is important to reach out to donors for this type of non-grant assistance as well.

An increasing number of Fairfield County nonprofits are turning to collaborations with other organizations to lower the cost of programs and services. Nearly 20% reported collaborating with other nonprofits and another 24% were considering such steps for future expense reductions.



Implementing New Management Strategies

Some of the steps organizations have taken to survive the recession include collaborating with other nonprofits specifically to lower costs. Nearly 20% of nonprofits reported expense reducing collaborations, and 24% are considering collaborations to reduce expenses in the future.

Most nonprofits have not felt sharing back-office services or merging with another organization were necessary at this time. Less than 3% of nonprofits reported sharing back-office services and only 10.5% were considering doing so in the future. Fewer than one out of ten of nonprofits (7.6%) identified merger opportunities, and only 12% reported they would consider a merger in the future. (LaPiana Consulting reports that 80-90% of mergers occur when one nonprofit merges into another, and the smaller nonprofit dissolves.)

This data indicates a potential emerging regional interest in the subject of shared services and mergers. According to a recent Bridgespan study, the cumulative merger rate nationally is only 1.5%.³⁷ If the Foundation had fielded our survey in 2007 or early 2008, the merger data for Fairfield County would have been far lower. National nonprofit consulting firms such as LaPiana Consulting report a significant increase in inquiries from nonprofits and funders as well as an actual increase in the number of strategic alliance and merger projects underway.³⁸

Increasing and creating volunteer opportunities has been a proactive strategy employed by 42.7% of nonprofits, with 33.6% considering increasing volunteerism in the future. However, only a disappointing one-third of nonprofits (30.7%) reported increased board member engagement in the organization's operations, events and services. Increased board engagement should be one of the most significant "silver linings" in this recession.⁴⁰

Results and Recommendations

Along with financial support, donors can consider joining the board, a committee, or volunteering in some way. The need for strong governance and volunteer advisors has never been greater.

Recommendations for Donors

Donors should consider funding strategic alliances between similar nonprofits if there is a long-term goal of reducing expenses. These formal alliances can take the form of shared back-office services. However, it is often difficult to develop shared service projects while the nonprofit and its potential partner are consumed with day-to-day operations. Grants focused on shared service projects can therefore pay for an outside consultant to conduct a feasibility study and/or lead the initiative.

Donors may also consider funding some of the costs of full-blown mergers, such as the initial due diligence and post-merger integration. Donors can also play an important role as matchmaker, introducing potential shared services or merger partners to each other so that organizations can explore these options on their own. The Foundation regularly serves in this role.

Along with financial support, donors can consider joining the board, a committee, or volunteering in some way. The need for strong governance and volunteer advisors has never been greater. In cases in which donors are already serving on a board of directors, they should recognize the need for increased engagement both in terms of financial commitment, planning and oversight.

Donors can also support strong governance by investing in board capacity building. For example, a donor can award a grant to enable a nonprofit to receive one-on-one assistance from a consultant who can address specific governance needs identified through board self-assessments.³⁹

Funding strategic alliances between similar nonprofits is one way to address the long-term goal of reducing expenses.

One of the most underutilized resources is a nonprofit's board of directors. These volunteers have business, management and financial experience - often the skill sets needed to survive the recession.

Successful lobbying by the Connecticut Association of Nonprofits has resulted in a \$5 million commitment from the State of Connecticut to help fund the cost of nonprofit shared services and collaborations.

Recommendations for Nonprofits

One of the most underutilized resources at a nonprofit's disposal is its board of directors. Particularly in Fairfield County, these volunteers have a wealth of business, management, financial or other experience - often the skill set needed by nonprofits trying to survive the recession. Nonprofits must totally engage their board members, inviting and encouraging input and support on matters of operations, strategic planning and finances.

Underperforming board members should be asked to reevaluate their ability to provide the level of engagement the organization needs at this current time, reconfirm their commitment, or step down from the board.

During a recession, board or executive committee meetings should be held more frequently, with adequate time for discussion of both short-term challenges and long-term strategic planning issues.

Collaborations and shared services with other organizations can be an effective tool for cutting costs and continuing services. It is important to recognize that there is a continuum of nonprofit collaboration, with program-focused collaboration on one end and merger on the other. A merger involves a change in corporate structure. As Bridgespan states in their report on nonprofit mergers and acquisitions, the question facing a nonprofit should not be "Do we or do we not pursue mergers and acquisitions" but rather "How do we best fulfill our organization's mission and strategy to be effective, and is M&A a better option than other alternatives?"⁴¹

Interestingly, the State of Connecticut is also supporting nonprofit shared services and collaboration through the State Bonding Package,⁴² a measure successfully championed by the Connecticut Association of Nonprofits. The State Bonding package includes a "nonprofit collaboration incentive grant" program (\$5 million), providing grants to nonprofits for infrastructure costs related to the consolidation of programs and services resulting from collaborative efforts of two or more organizations. Grant funds can be used for a variety of expenses, such as equipment, transportation, technology. The grant program will be managed by the Office of Policy and Management and a request for proposals is anticipated in February 2010.⁴³

An impressive number of Fairfield County nonprofits have continued moving forward with strategic planning processes during the recession. While it may seem too difficult a task to accomplish in these tough times, now is an excellent time to update or consider developing a new strategic plan.

Tackling the Recession: In Their Own Words

Throughout the Economic Impact Survey, Fairfield County nonprofits were given the opportunity to further comment on several questions. Selected remarks on fundraising challenges, operating challenges, staff and board engagement, rising demand, opportunities for change, collaborations and mergers are presented in this section.

The remarks show that many of the county's nonprofit leaders have a remarkable grasp of the challenges facing their organizations and are now working towards solutions which will strengthen their organizations and the county for years to come.

Fundraising Challenges

"After 35 years of existing, this may be the end of the line. We are seriously being considered for being shut down by our parent organization, even though the program itself is doing well. We have no money to continue it."

"Raising money from the corporate sector is a major concern. Many of our existing corporate donors have told us that contributions will be eliminated or down significantly. Capturing new contributors is difficult at this time. 60% of our budget comes from unearned income."

"We are competing for limited financial resources from the same basic pool of donors. Arts organizations often fall lower on the donor priority scale during difficult economic times. With fewer dollars to give, individuals and corporations opt for health and social services funding, leaving arts organizations challenged even more for funds."

"We are having to look at new ways to raise money. We are looking differently for the new board members that we bring on to ensure coverage of specific skill sets. We are drastically cutting back expenses to what will next year be a 'no frills' program."

"Because we are a new organization, we anticipate facing a more difficult time making the case for funding given the climate and competition for funds."

"We are facing the most sudden and extreme revenue decline our agency has ever seen, as a result of the economy's impact on our primary funding source. We have identified as goals: to maximize client service, support the staff in staying positive and productive, and avoid layoffs if possible, while taking whatever action is necessary."

"As is true for virtually every nonprofit, we are trying to do more with less. More demand for our services, fewer dollars to spend. The uncertainty of the immediate and long-term future is the most difficult part of all. We have been fairly successful with our special events in the recent past, but this year nothing can be taken for granted."

Operating Challenges

“We have always operated a lean organization and there are not many places to cut expenses. Building upkeep and repairs are a major concern.”

“We have begun to hire new staff through a temporary agency rather than as regular staff of the organization. By hiring staff in this manner, if it is necessary to lay off additional staff, the temporary agency, rather than our organization, would incur the unemployment and related costs.”

“We are planning a move to e-marketing and decreased print material.”

Staff and Board Engagement

“The challenges are enormous. We need to do more with less. It will put great pressure on our staff who will need to do more with less. The Board’s commitment will be tested as well.”

“We have recruited some new board members in an attempt to strengthen the board and their commitment to the future of the organization. We need to continue this effort, which is both an opportunity and a challenge in these challenging times.”

“Board development is key. Agencies must do skills-based board recruitment. They must also utilize their existing board members more fully. Our organization needs to focus on improved donor engagement. The nonprofit community must persuade the media to help us bring better recognition of the value of agencies and all we do for the community.”

“Our board collectively catered our recent benefit, each creating a signature dish; this was not only a cost-effective measure, it was a bonding experience for the board.”

Redefined Focus

“We’re using this difficult economic environment to produce projects that are less costly and to focus more intently on our core mission and programs.”

“No tricks in this economy, no short cuts to success. We trimmed our operating budget for 2009-10 by 13% and are working twice as hard to raise 90% as much in support. Success of nonprofits will be the result of making tough decisions and working twice as hard. We are afraid that there will not be many creative shortcuts to success.”

In Their Own Words

Opportunities for Change

“In the past, it has been difficult to reduce services because it’s all so worthy. This is the opportunity to prioritize and make changes. No one will question why certain programs have to go. This can be a good thing for us if we make the right choices.”

“Now is the time to tell the story about the value of our organization; to steward our donors; and reach out to new potential supporters with information without any “asks”. It is also a great opportunity to rethink “ways of work” to breakdown old cultural barriers and think about new ways of work.”

“We recently made the decision to have a “non-event” – did not hold fundraising cocktail party but instead did mailing.”

“We lowered the entertainment and decorating expense of our annual gala significantly and people still came to support the event. It really helped us earn an extra \$20,000 this year. Less is more concept works now.”

“We are seeking to find ways to create an endowment through developing our products and making them available commercially to create an ongoing income stream.”

Collaborations and Mergers

“Prior to this year, we’ve developed several effective collaboratives in the areas of housing, emergency aid, and domestic violence prevention. There’s little room to facilitate any more interagency cooperation. A total merger with another non-profit could bring benefits, but also great risks. We hope we don’t have to face that ‘opportunity.’ ”

“The greatest opportunities will come from focusing on core competencies and partnering with other organizations to deliver programs that cross disciplines. Board and donor engagement will remain critical for financial survival, as new strategies are implemented in the short term. Mergers may be a necessity in the long term 5-10 year horizon.”

“I am seeing much more reaching out from my nonprofit colleagues for collaborative efforts to meet the objectives of the new stimulus package funding.”

“True collaboration with other nonprofits. It’s been talked about for many years, but the economic challenges are forcing the issue for several nonprofits.”

- 1 Joachim Hero, *Poverty in Connecticut: Summary of 2008 American Community Survey Census Data*, Connecticut Voices for Children Issue Brief, September 2009. www.ctkidslink.org
- 2 National Assessment of Educational Progress, *The Nation's Report Card*, <http://nces.ed.gov/nationsreportcard/>
- 3 *The Advocate and Greenwich Time*, "Will Hedge for Food: A Troubled Hunt" Sunday, May 31, 2009, page C1
- 4 United States Bureau of Labor Statistics, *Local Area Unemployment Statistics*, www.bls.gov/lau/
- 5 Joachim Hero and Tamara Kramer, *The State of Working Connecticut 2009*, Connecticut Voices for Children Issue Brief, September 2009. www.ctkidslink.org
- 6 Bridgeport Child Advocacy Coalition, *A Thousand Voices Speak: The Recession of 2008 and 2009*. www.bcacct.org
- 7 Connecticut Economic Resource Center: *Report on Residential Sales - Warren Group Data* www.cerc.org/images/customer-files//CERCResidentialSalesQ408.pdf
- 8 Connecticut Housing Finance Authority, *Foreclosure Deeds: 2008 through April 2009 using Warren Group Data* www.chfa.org/
- 9 RealtyTrac.com
- 10 United States Bureau of Labor Statistics: *Consumer Price Index*
- 11 Joachim Hero and Tamara Kramer, *The State of Working Connecticut 2009*, Connecticut Voices for Children Issue Brief, September 2009. These figures constitute Connecticut's Self-Sufficiency Standard. www.ctkidslink.org
- 12 AAA Daily Fuel Gauge Report: Friday, August 21, 2009 www.fuelgaugereport.com
- 13 Operation Fuel, *The Home Energy Affordability Gap*. www.operationfuel.org
- 14 United States Department of Health and Human Services, *The 2009 HHS Poverty Guidelines*
- 15 The Urban Institute, *National Center For Charitable Statistics*. <http://nccs.urban.org>
- 16 Nonprofit Finance Fund, *The Changing Effect of Recent Economic Downturns on Nonprofits*, 2009. www.nonprofitfinancefund.org
- 17 *The Connecticut Post*, "Charity Groups on Edge: Lack of Donors Forces Nonprofits to Cut Back" April 19, 2009, page A1

Endnotes

- 18 For more examples of non-grant assistance, see Ellie Buteau, Phil Buchanan, et al, *More Than Money: Making A Difference with Assistance Beyond The Grant*, The Center for Effective Philanthropy, 2009. www.effectivephilanthropy.org
- 19 The Philanthropic Initiative, *Donor Collaboration: Power In Numbers* (2009). www.tpi.org. Local examples of funder collaboratives include the Fairfield County Collaborative Fund for Affordable Housing, managed by LISC-Connecticut www.lisc.org; One Region Funder Collaborative, led by the New York Community Trust www.nycommunitytrust.org; and Funders' Collaborative for Strong Latino Communities, led by Hispanics in Philanthropy www.hiponline.org.
- 20 Steven Lawrence, *The Outlook for Foundation Giving*, The Foundation Center, 2009. www.foundationcenter.org.
- 21 Community Foundation for Greater New Haven, *The Impact of the Economic Downturn on Nonprofits and Giving in Greater New Haven*, April 2009. www.cfgnh.org
- 22 The Alliance for Justice publishes guides for donors on funding advocacy organizations and advocacy campaigns. www.allianceforjustice.org
- 23 Kristin Giantris, "Taking Stock in a Time of Crisis," *Nonprofit Finance Fund*, December 2008. www.nonprofitfinancefund.org
- 24 See Connecticut Council for Philanthropy for materials distributed at this FCCF conference on April 17, 2009. www.ctphilanthropy.org
- 25 Nonprofit Finance Fund, "Linking Money To Mission: A Workshop for Grantmakers," October 2, 2008. Co-sponsored by the Fairfield County Funders Group and Connecticut Council for Philanthropy.
- 26 Grantmakers for Effective Organizations, *Smarter Grantmaking In Challenging Times: Insights for Foundation Leaders* 2009. www.geofunders.org
- 27 The Center for Effective Philanthropy, *In Search of Impact: Practices and Perceptions in Foundations' Provision of Program and Operating Grants to Nonprofits*, 2006. www.effectivephilanthropy.org
- 28 A recent important article on the subject of nonprofit overhead expenses is Ann Goggins Gregory and Don Howard, "The Nonprofit Starvation Cycle," *Stanford Social Innovation Review*, Fall 2009.
- 29 Nonprofit Finance Fund-Fairfield County Community Foundation Recession Planning Workshop, "Managing Through A Downturn," June 23, 2009.
- 30 Nonprofit Finance Fund, www.nonprofitfinancefund.org.
- 31 Susan Colby and Abigail Rubin, *Costs Are Cool: The Strategic Value of Economic Clarity*, 2003. Bridgespan Group. www.bridgespan.org

- 32 Management Assistance Group and the Meyer Foundation, *Outsourcing Back Office Services in Nonprofits: Pitfalls and Possibilities*, September 2009. www.meyerfdn.org
- 33 Susan Colby and Abigail Rubin, *Costs Are Cool: The Strategic Value of Economic Clarity*, 2003. Bridgespan Group. www.bridgespan.org
- 34 Bridgespan Group, "Managing In A Tough Economy: How Nonprofit Leaders and Their Organizations Are Facing the Uncertainty," April 2009. www.bridgespan.org
- 35 Chicago Community Trust, "Impact of Current Economic Conditions on Chicago Small Arts and Cultural Organizations," April 2009. www.cct.org
- 36 Alexander Cortez, William Foster and Katie Smith Milway, *Nonprofit M&A: More Than A Tool for Tough Times*, Bridgespan February 2009. See LaPiana Consulting for more information about best practices in nonprofit shared services, strategic alliances and mergers. www.lapiana.org. The Nonprofit Centers Network also offers practical tools and conferences on nonprofit shared spaces, such as multi-tenant nonprofit centers. www.nonprofitcenters.org
- 37 Cortez et al, page 3
- 38 Telephone conversation with Robert Harrington, Director of Strategic Restructuring Practice, LaPiana Consulting, September 30, 2009.
- 39 For more information on how donors can support nonprofit governance, see Kathy Hedge, Eva Nico and Lindsay Fox, *Advancing Good Governance*, FSG Social Impact Advisors and BoardSource, March 2009.
- 40 For more information about the importance of board engagement, see Jeanne Bell, Richard Moyers, and Timothy Wolfred, *Daring To Lead 2006: A National Study of Nonprofit Executive Leadership*, Compass Point Nonprofit Services, 2006. www.compasspoint.org.
- 41 Cortez et al, page 4.
- 42 Section 25 of Bond Act - Public Act 09-2; House Bill 7004
- 43 For more information about this new state grant program, see Connecticut Association of Nonprofits. www.ctnonprofits.org

Survey Methodology

In developing the Nonprofit Economic Impact survey, the Fairfield County Community Foundation reviewed surveys conducted by The Community Foundation for Greater New Haven and the Nonprofit Finance Fund. Foundation staff included questions from each survey, and developed further lines of inquiry.

An electronic survey containing 46 distinct questions was devised using Constant Contact's survey product which allowed for overall response analysis as well as cross referencing analysis.

Drawing from the Foundation's extensive database of Fairfield County non-profits, the survey was sent via Constant Contact to a total of 613 executive directors, chief executive officers, presidents and other top-level leaders. Non-profits were instructed to submit only one response per organization. The first survey was sent on April 17, 2009, with a deadline of May 8, 2009.

A reminder, extending the deadline to May 19, 2009, was sent via email on May 12, 2009 to the 417 nonprofit leaders who had yet to complete the survey. A final reminder email was sent on May 18, 2009 to the remaining 345 nonprofit leaders who had not yet completed the survey.

The survey closed on Tuesday, May 19 with a total of 208 respondents, a 34% response rate.

In analyzing the initial results, it was revealed that 44 respondents, or 21%, had chosen "Other" and entered a written response on Question #4 "What is your core service?" Based upon the respondent's description of their organization as well as the Foundation's knowledge of the organizations' services, these 44 respondents were re-categorized to fit within one of the 13 core service areas identified in the survey question.

No additional modifications were made to the survey results.

In developing a comprehensive analysis of the data, the Foundation reviewed overall results and correlated data on organizations' core service, operating budget size and the town in which they are located.

A full report of the overall results can be found online at www.fccfoundation.org under "About Us" and "Publications and Reports," with written responses and other identifying information removed to protect the privacy of the organizations that responded.