



Survey of Nonprofits and the Economy Key Findings Winter 2012

Greater Des Moines relies on the broad range of services provided by our nonprofit sector. Our charitable organizations address the most critical needs of our community, from meeting essential needs for food, shelter and health care to improving the quality of life through community betterment projects, recreation and the arts.

The Community Foundation of Greater Des Moines strives to improve the quality of life through philanthropy.

“We are sharing the key findings of this survey to spark meaningful conversation as part of our community leadership work. We are committed to strengthening the capacity of the nonprofit sector by providing technical assistance and training for nonprofit board and staff members. One of our leading goals is to make our community aware of needs and then help make connections between those needs and people who care about them,” says Allison Fleming, Community Foundation Board Chair. “We hope these conversations will inspire thoughtful charitable giving that supports and strengthens the nonprofit sector, allowing it to respond to our community’s needs.”

As economic conditions worsened in 2008, the Community Foundation determined the need to gauge how the economy affected our local charitable organizations. In January 2009 and 2010, the Community Foundation conducted online surveys to collect information about the economic health of our nonprofit sector. Because of our commitment to the nonprofit sector, our desire to strengthen nonprofit organizations, and the need to communicate challenges faced by nonprofits in Greater Des Moines, we were compelled to conduct a third survey in January 2012. Over 70 nonprofit organizations representing the arts, health, human services, housing, community betterment, education and environmental causes completed the survey. The survey provided information about the challenges, trends and the future of our nonprofit sector.

“Our nonprofit community is navigating through the economic challenges put in front of them and continues to improve quality of life by providing the services our community must have to thrive. Working more efficiently and effectively is the theme for success moving forward—with sustainable operations and the benefit of an understanding and supportive community,” says President and Chief Operating Officer of the Community Foundation Kristi Knous.

NOTE: The survey responses reflect 2008, 2009 and 2011 data.

Nonprofits continue to face funding challenges.

Nonprofits were asked to share the challenges faced by their organizations. Obtaining funding was identified as a major challenge for over seventy-four percent of the respondents. Seventy-one percent of nonprofits indicate recruiting new donors is a major challenge. Twenty-four percent of respondents reported that retaining existing donors is a major challenge. These survey results are virtually unchanged from the 2009 and 2010 surveys.

The nonprofit sector also identified the ability to enhance its visibility and reputation as a significant challenge with fifty-four percent of respondents identifying this as a major challenge.

Nonprofit leaders also identified covering employee benefit insurance costs as a barrier with forty-five percent of respondents noting this as a major challenge.

Common responses regarding funding challenges included:

“Finding new funding sources for expansion of staff needed to meet client needs is a challenge.”

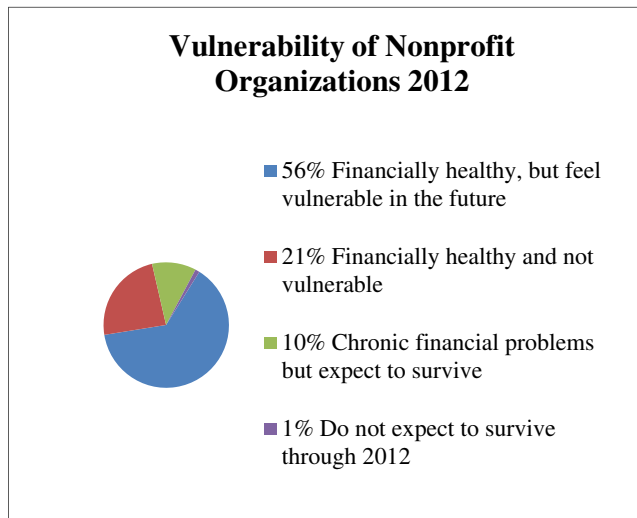
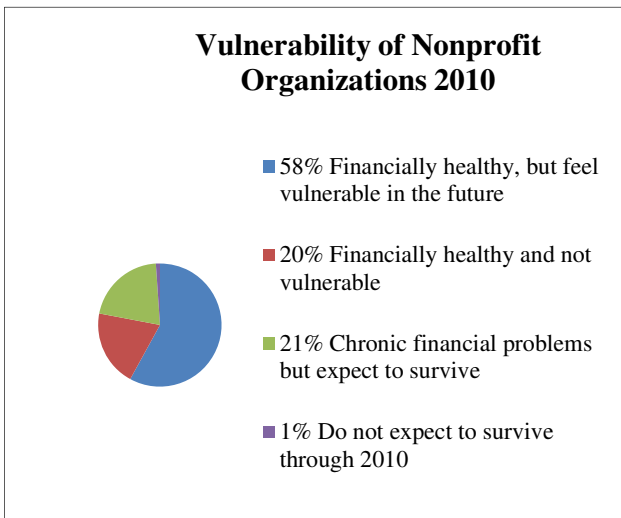
“Reduced funding from many sources, increased health care costs for employees and an increased need for services for clients challenges us.”

“Long-term planning to ensure sustainability; attractiveness to younger customers; public awareness; lack of corporate support and awareness; personnel training; rising costs and aging donor base are our challenges.”

“Securing ongoing operational funding sources continues to be a challenge.”

Nonprofits feel vulnerable, but the majority are financially healthy.

Twenty-one percent of organizations report they are healthy and not vulnerable, and fifty-six percent stated they are healthy to date but feel vulnerable in the future. Ten percent reported they are experiencing chronic financial problems but expect to survive, which is an eleven percent decrease from the 2010 survey. Only one percent (one organization) reported that it does not expect the organization will survive through 2012. Twelve percent of the organizations did not respond to their vulnerability in the 2012 survey.





Demand for services continues to be high.

The demand for services has remained constant with nearly eighty percent of the participating organizations reporting an increased demand for the services of their organization.

Respondents to the survey indicated that the constant need for service continues to pose challenges for their organizations.

“Having enough capital to respond to a growing client population continues to be a challenge.”

“Meeting the needs of the public in a diverse world continues to be an organizational focus.”

“Because of demand for services, we are unable to meet all the needs.”

Demand for Service

	Increased	Unchanged	Decreased	Don't Know
2012	79.0%	16.0%	3.0%	2.0%
2010	79.7%	16.5%	3.8%	0.0%
2009	79.5%	13.3%	4.8%	2.4%

Financial stability continues to be a center of focus.

Fifty-seven percent of nonprofits reported an increase in expenses in the 2012 survey, which is a 14% decrease from 2009.

Forty-three percent of those completing the survey shared their organization had an increase in revenue compared to thirty-four percent reporting a decrease in revenue. The total revenue continues to be lower in 2012 than what was reported in previous surveys but the overall staffing level has increased by thirteen percent from the 2010 survey.

Comparison Analysis of Stability of Nonprofits

Total Revenue

	Increased	Unchanged	Decreased	Don't Know
2012	43.0%	21.0%	34.0%	2.0%
2010	53.1%	12.3%	34.6%	0.0%
2009	50.6%	22.9%	25.3%	1.2%

Total Expense

	Increased	Unchanged	Decreased	Don't Know
2012	57.0%	16.0%	25.0%	2.0%
2010	59.3%	18.5%	22.2%	0.0%
2009	71.1%	21.7%	6.0%	1.2%

Total Revenue from Donations

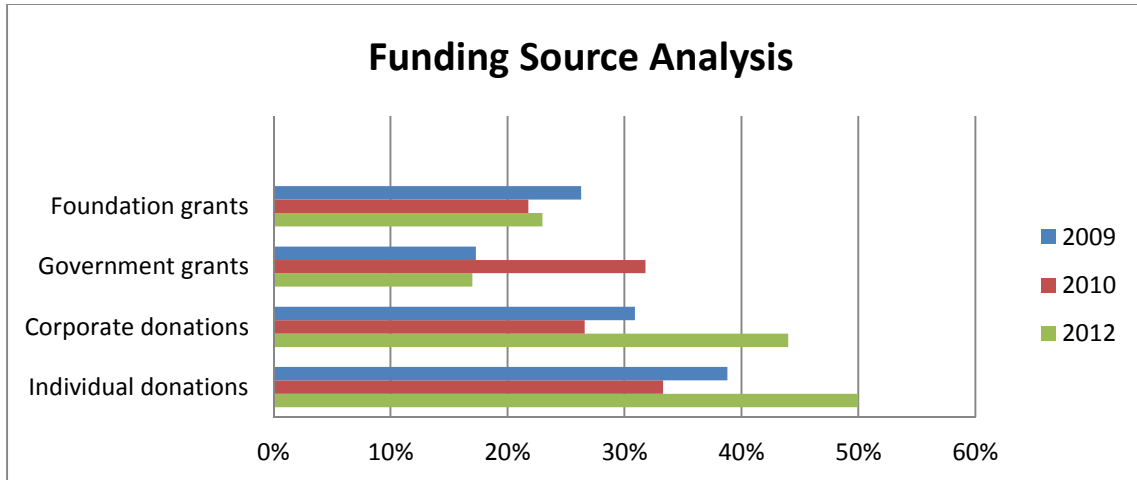
	Increased	Unchanged	Decreased	Don't Know
2012	39.3%	36.1%	21.3%	3.3%
2010	35.8%	25.9%	38.3%	0.0%
2009	42.2%	32.5%	24.1%	1.2%

Overall Staffing Levels

	Increased	Unchanged	Decreased	Don't Know
2012	38.3%	35.0%	25.0%	1.7%
2010	24.7%	45.7%	29.6%	0.0%
2009	34.9%	48.2%	15.7%	1.2%

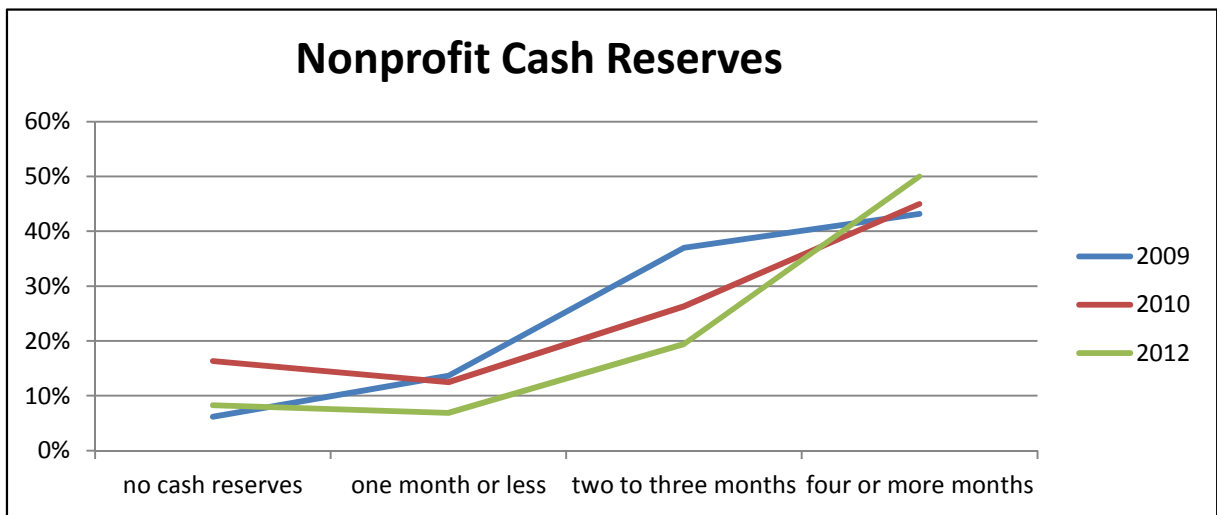
Fundraising efforts show signs of improvement.

Fifty percent of nonprofit organizations shared an increase in individual donations in 2012, compared to thirty-three percent in 2010 and thirty-eight percent in 2009. Forty-four percent of nonprofit organizations reported an increase in corporate donations in 2012 compared to twenty-six percent in 2010 and thirty percent in 2009.



Cash reserves

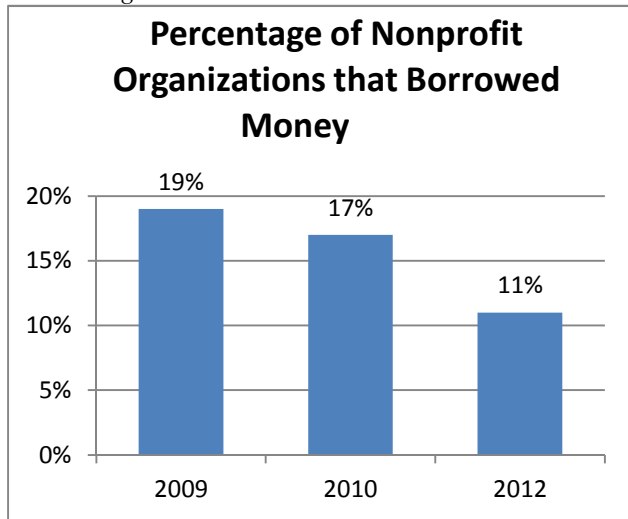
Maintaining a cash reserve is one strategy for ensuring financial health. There was a five percent increase in nonprofits reporting having a four or more month cash reserve. Fifty percent of respondents reported having cash reserves of four or more months, nineteen percent reported having two to three months, seven percent reported having one month or less and eight percent reported having no cash reserves. There was an eight percent decrease in nonprofits reporting that they had no cash reserve in 2012 as compared to the 2010 survey.



Cash flow

More than fifty percent of nonprofits indicated they had not experienced a negative cash flow situation in the last year, while twenty-one percent reported experiencing a negative cash flow in the last year. Of those noting a negative cash flow, nine percent indicated it was due to unmet fundraising goals, eight percent reported it was part of their normal business cycle and 4 percent shared it was because of delays in government payments.

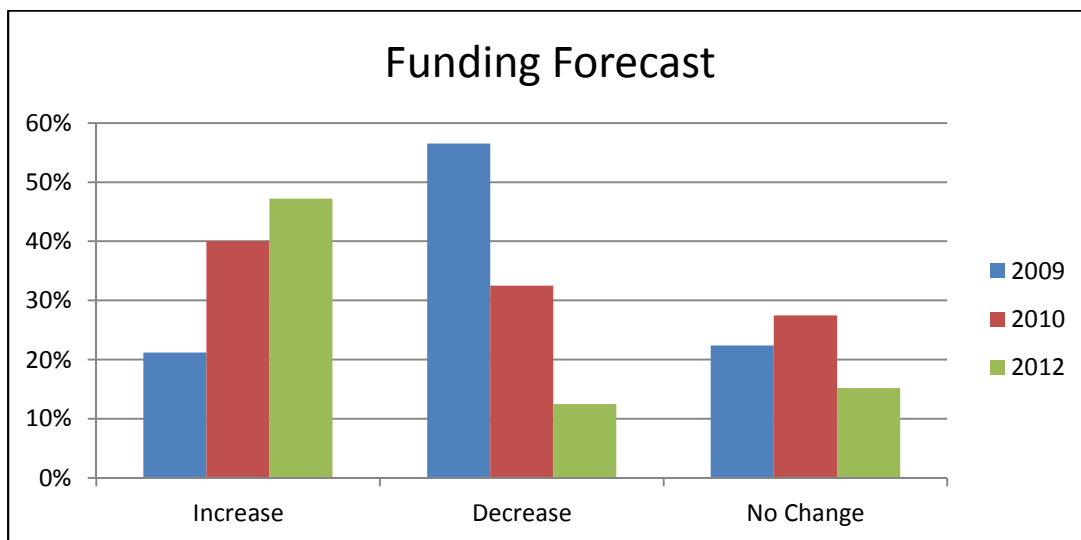
Borrowing



Nonprofits were asked whether they had borrowed cash in the last twelve months and for what purpose. Eleven percent reported they had borrowed within the last twelve months. Thirty-eight percent of those indicated they had borrowed to stabilize cash flow compared to sixty percent in 2010. Thirty-eight percent identified the reason was for an equipment or building purchase. Twenty-four percent shared the borrowed cash was used for facility construction/renovation and/or to start a new program.

Future Forecast

The nonprofit organizations surveyed were asked to forecast what they anticipate their funding situation will be in the next six to twelve months. Forty-seven percent anticipate an increase in funding; thirteen percent forecast a decrease in funding and fifteen percent anticipate no change in funding in the next six to twelve months.



Strategic partnerships, collaboration and mergers are a topic of conversation for some.

Developing more efficient and effective ways to manage and operate nonprofit organizations continues to be the top priority for nonprofit leaders.

Nonprofit organizations were asked if their board of directors had discussed strategies to address the economic hardships their organizations have endured. Fifty-one percent reported their board discussed weathering economic hardships as an organization. Thirty-six percent report they have considered plans to restructure, share services or merge with another organization.



“We have had a fundraising and development toolkit for the board and will complete a strategic planning process in 2012 developing a five-year strategic plan.”

“We are open to working with other agencies and exploring possibilities to merge as a means to grow mission capability and improve organizational effectiveness.”

“We are currently working with several similar organizations on cross-marketing, fundraising and other common organizational needs.”

“We have had four mergers in the past thirty months.”

“Leading the discussion for consolidation of similar institutions is outlined in our 2012 operating plan.”

“We are considering restructuring and have considered a merger or administrative sharing with another nonprofit.”

“We are in negotiations about a strategic alliance with a much larger organization that would handle administration, technology needs and reduce costs.”

“We are looking at how to restructure the organization to be even more effective.”

“We merged with another nonprofit in 2010.”

Capital campaigns were affected by the economy.

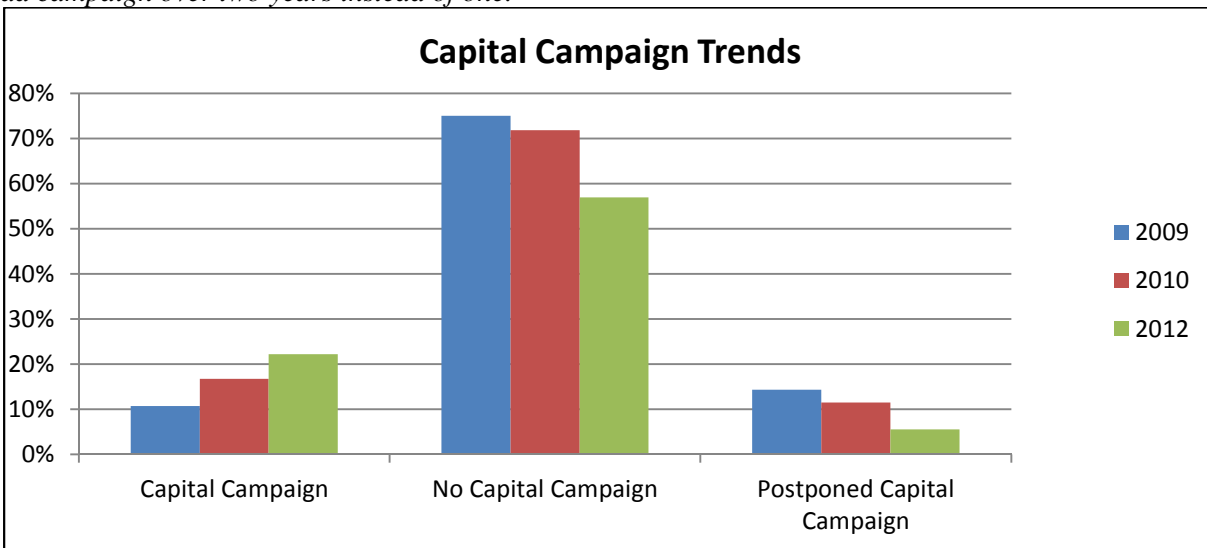
Twenty-two percent of organizations are currently undertaking a capital campaign which is up from seventeen percent in 2010. Six percent identified they have postponed plans to launch a capital campaign compared to twelve percent in 2010. Several organizations indicated they have changed their capital campaign strategy as a result of the current economic conditions.

They shared reasons for changes in capital campaign plans:

“Decreased the fundraising goal by \$1 million.”

“Delayed major gift phase and put more emphasis on planned giving.”

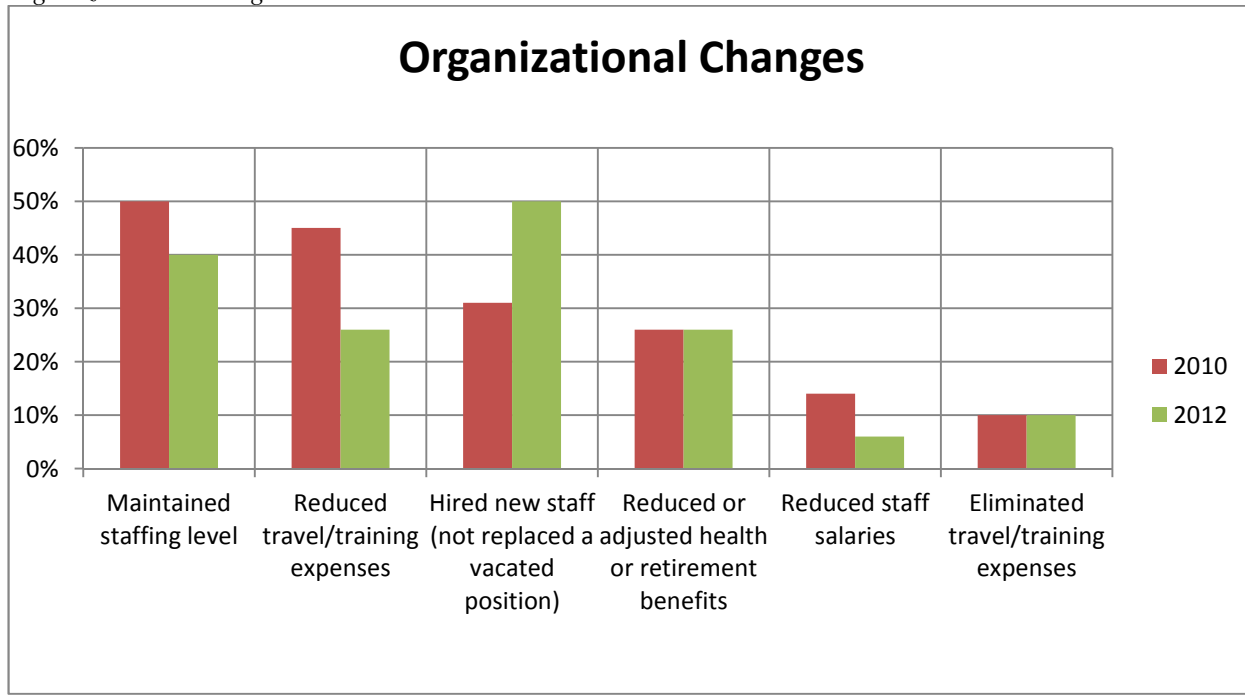
“Spread campaign over two years instead of one.”



Nonprofits adjust organizational activities in this challenging economic climate.

Nonprofits were asked about any organizational changes they made in response to economic challenges. It appears organizations’ operations are stable enough to begin expanding staff. Fifty percent of respondents reported they were able to hire new staff compared to thirty-one percent in 2010.

Organizational Changes



Strategic planning is being used to strengthen organizational capacity.

As nonprofit organizations look to build capacity, a strong strategic plan can assist in directing organizations to resources and efficiencies. Nonprofit organizations were asked if they had an up-to-date strategic plan. Sixty percent reported they had a current strategic plan in place. Of those with a strategic plan, thirty-eight percent shared that they revisited the plan in light of the economic changes their organizations were experiencing.

In addition, fifty-one percent of nonprofits reported their board of directors discussed strategies to address the economic hardships.

Respondents share the strategies listed below as a way to address economic hardships:

“Hired additional fundraising staff for donor relations, recruitment and development.”

“Incentivized fundraising staff through bonus compensation above budgeted goals.”

“Developed collaborations and partnerships with other agencies to share resources.”

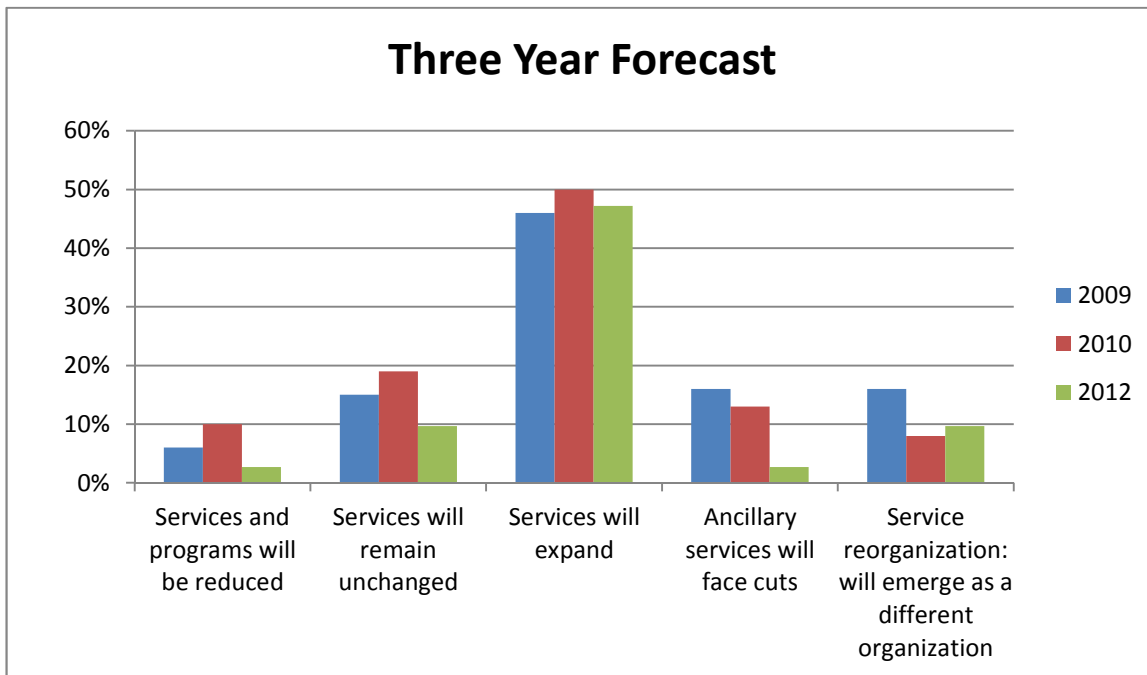
“Invested in technology.”

“Created shared services hub to supply back office services to other nonprofits.”

The nonprofit sector looks to the future.

As nonprofits look beyond the current economic situation, forty-seven percent of respondents indicate they will expand services in key areas in the next three years. This expansion is most likely in response to the continued increase in demand for services our nonprofit sector has experienced. Ten percent stated that their services will remain unchanged.

However, some nonprofits acknowledge they will need to make some tough decisions in the next three years. Ten percent said they will re-examine existing structure and will likely emerge as a different organization. Another three percent said key services will remain unchanged but ancillary services will face cuts and they will need to reduce key program budgets and services.



Now is the time to support our nonprofit community.

Nonprofits were given the opportunity to share what type of technical assistance would help them strengthen operations and build sustainable funding streams.

The Community Foundation believes in the importance of a strong, vibrant nonprofit community, and we realize that providing technical assistance and trainings to build capacity is critical for nonprofit organizations to grow and prosper.

Thirty-five percent of respondents stated they have reduced travel and training expenses and/or eliminated travel and training expenses. Because of these cuts, it is critical that we continue to offer affordable training opportunities in 2012.

- The BoardLaunch training series for nonprofit board members will continue with sessions in the spring focused on fundraising, strategic planning and human resources.
- The Community Foundation has partnered with Iowa State Extension in promoting the Nonprofit Management Academy to build the capacity of nonprofit staff leaders.
- We also continue to offer our Capacity Building Grants which fund strategic planning, board training, marketing and sustainability planning.



The Community Foundation conducted this survey to give our community some measure of how the economy continues to affect our charitable organizations. We are extremely grateful to the nonprofits that completed our survey. Part of our mission is to share our knowledge of the needs of our community and convene people around opportunities to address those needs. The Community Foundation will use the survey results to advise our community, its donors and funding organizations who want guidance on how to connect with causes and organizations meaningful to them and critical to our community.