

# **The Impact of the Economic Downturn on Non-profits and Giving in Greater New Haven April 2009**



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The Community Foundation  
for Greater New Haven

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## **I. EXECUTIVE SUMMARY**

*“There is no person, organization or company that is untouched by the global financial crisis-- yet nonprofits tend to be more financially fragile than other enterprises. The archaic rules surrounding nonprofit finance mean they are often stretched to the breaking point, even in the best of times. **And so when an economic crisis hits, nonprofits must manage through the perfect storm: a decline in funding, no reserves, and an increase in demand for services.**”<sup>1</sup>*

Each day of the economic crisis has brought with it different news as stock markets react to housing foreclosures, bank failures, changes in administration, federal stimulus package announcement, and bailouts. The Greater New Haven community has also been affected by this national recession. State and municipal budgets are being cut, the business community has been severely impacted and has curtailed its giving, foundation and private donor investments have been affected. In particular, the nonprofit community, which heavily relies on public funding, grants and individual donations, has seen budgets cut and payments delayed. The legislative process with respect to the state budget continues, as do the political negotiations involving the Governor and the legislative leadership. While it is unclear how the budget issues will be resolved, it is clear both the stakes for the non-profit sector in Greater New Haven are very large indeed and steps that are already being taken by state government are indicative of the potential damage to the work of non-profit organizations.

As an immediate response, in the fall of 2008, The Community Foundation responded to the crisis with a matching grant program to area nonprofits serving basic needs. Funding allocation was tripled from the previous year, matching grants were almost doubled, and requirements for the program were made much simpler. In addition, the Board agreed to increased flexibility in grantmaking, including conversions of multiyear program grants to operating grants if nonprofits so requested. Operating grants would be especially encouraged in the 2009 responsive grantmaking process.<sup>2</sup> As The Foundation listened to the community it also took advantage of additional opportunities to act in support of the non-profit sector. These included consideration of the economic downturn when awarding small grants, communicating with non-profit executives on a regular basis about technical assistance opportunities, collaborating with Annie E. Casey Foundation on fundraising workshops, speaking at the Greater New Haven Chamber of Commerce non-profit forum, and organizing an educational forum on the federal stimulus package.

In order to understand better how the community was being impacted and how best to allocate resources in 2009, The Community Foundation for Greater New Haven gathered knowledge from non-profits, donors, financial advisors and national experts about the effects of the downturn.

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<sup>1</sup> <http://www.nonprofitfinancefund.org/content.php?autoID=166>

<sup>2</sup> Although The Foundation has always welcomed operating support grant applications, this year a special effort was made to encourage them.

The Foundation facilitated roundtables with non-profit Executive Directors to hear firsthand what their organizations needed to survive and thrive in the near term and midterm. Meetings were also held with groups of donors and professional advisors. In addition, The Foundation conducted a survey of nonprofit Executive Directors about the challenges their organizations faced during this downturn.

Following are some of the major findings from the survey and roundtable discussions with non-profit leaders, donors and professional advisors:

- Non-profit organizations are experiencing significant challenges in raising money and a significant decline in donations.
- In general, as a result of the downturn, the community has been more focused on giving to basic needs organizations. Nearly half of these organizations have experienced an increase in giving while other service areas are experiencing a decline.
- Basic needs organizations are also experiencing the most significant increase in demand for services.
- Arts organizations are especially vulnerable during these turbulent economic times as described by both the Executive Directors and donors.
- There is an overwhelming concern about cash flow as described during the roundtable discussions with Executive Directors.
- There is great concern about how the state budget will impact non-profit organizations. Larger organizations are more dependent on state dollars while small organizations rely more on private donations.
- Executive Directors are concerned about the well-being of their staff and their ability to continue to deliver critical services in the context of stress caused by the economic downturn in their professional and personal lives.
- Donors are committed to giving and local organizations may take precedence, but they want more information to do effective and strategic giving.
- Non-profits are deferring plans for new ideas and programs.
- The economic crisis has presented an opportunity for The Foundation to develop deeper relationships with non-profits, donors and professional advisors by increasing the amount and quality of communication.
- There is a gap between the donors' need for knowledge about organizations especially their efficiency of operation and effectiveness of services and the capacity of the non-profits' to strengthen the marketing of their organizations and programs for the purpose of raising money.
- All constituencies are looking to The Foundation to be a leader in providing funding, technical assistance, knowledge and advocacy.

**The result of gathering this knowledge is that The Foundation is better informed about how to allocate resources as the major annual responsive grantmaking process begins, with more requests for grant dollars than ever and tough choices ahead.**

## **II. METHODOLOGY, PLANNING & TIMELINE**

### **Initial Phase of Plan Development: Fall 2008**

By mid October, 2008, it became clear the country, along with the State of Connecticut was heading into a serious economic downturn and much of the Foundation's efforts would need to be focused on this crisis.

The initial strategy was to gather as much information as possible in order to inform decision making about how to allocate foundation resources to help the community during the economic downturn. Information was gathered both by in-person conversations and internet research. Foundation leadership interviewed colleagues at other philanthropic institutions across the country and in Connecticut. Most industry experts agreed that the impact of the current recession would be felt by the non-profit community over the next 12-18 months with the worst yet to come. Because of this it is important for The Foundation to maintain its long term view, commitments and strategies. Many of the initial strategies initiated by other foundations were focused on immediate and basic needs including The Foundation's own Making a Good Gift Better Campaign. Some of the themes that emerged from the early research and conversations with philanthropic and non-profit leaders included:

- Anxiety over the uncertainty
- Expectation that July 1<sup>st</sup> will be a watershed moment because state funding is determined
- Positive reaction to support for basic needs as designed by Making a Good Gift Better
- The need for operating support, and technical assistance in the areas of financial stability, management, fundraising, leadership transition, mergers, partnerships and fiscal management
- Consideration for converting current program grants to operating support
- Increase spending rule, consider one time large increase in spending
- The need to encourage individual giving
- Importance of keeping current grant commitments and maintaining long-term view

### **Phase 2 of Plan Development: First quarter 2009**

After this initial research, it became increasingly clear that there was a need to strategically listen to the Greater New Haven nonprofit community leaders with the goal of understanding how the economic downturn is affecting them and what actions they plan on taking to weather the storm. The plan was to spend the first quarter of 2009 listening to the community through nonprofit roundtables and an extensive survey to be distributed to the nonprofit community. The Foundation also began to plan roundtable discussions with donors and professional advisors. The goals of these discussions were to first find out how the economic downturn was affecting them, share some of what we were learning about the needs in the non-profit community and finally to listen for opportunities to assist donors and professional advisors during this turbulent time.

## Information Resources for Report

The data and information presented in this report were gathered over the course of several months through a variety of in-person, phone and web-based tools. The data collection process began in the fall of 2008 and became more formalized during the first quarter of 2009. Over 250 non-profit executives, donors, professional advisors and philanthropic leaders responded to the Foundation's outreach efforts and provided information about the impact of the downturn.

Most of the sources of information used for the report come from:

- Four meetings convened January through March, 2009 with nonprofit Executive Directors. These directors represented all issue areas: arts and culture, youth development, economic development, education, environment, basic human needs, legal services/ advocacy and health/mental health. The organizations are located in every part of the Greater New Haven 20 town region, including New Haven, Inner Ring Suburbs, the Valley and The Shoreline.
- Two meetings with donors in February and March, 2009
- One meeting with donor advisors in March, 2009
- Telephone conversations with Executive Directors of organizations for which the Foundation holds a designated fund or organization endowment
- An online survey distributed to more than 400 nonprofit Executive Directors in the Greater New Haven area
- Review of 2008 grantee performance reports
- Research using web-based local and national publications
- Phone interviews with state and national foundations and philanthropic experts
- Postings on our GNHCommunity website which we solicited via a video request from our CEO

Additionally, information was gathered informally about the effects of the economic downturn on the community through:

- Specific questions on the competitive grant pre-application training evaluations
- A few phone interviews in the fall with nonprofit Executive Directors
- Informal discussions with Executive Directors through the beginning of the grant-making season
- Informal discussions with donors and advisors

## **Time Line of Economic Crisis and Significant Events**

As The Foundation was conducting research and outreach during the end of 2008 into the first quarter of 2009 many significant events (national and local) were occurring. It is expected that these events and the following time line were impacting what was being heard from non-profit executives, donors and professional advisors.

### **2008**

- **March 16:** Bear Stearns is acquired by JP Morgan Chase for \$2/share in a fire sale as shares plummet
- **September 7:** Federal takeover of Fannie Mae and Freddie Mac, causing panic on Wall Street
- **September 15:** Lehman Brothers files for bankruptcy
- **September 17:** Government announces \$75B emergency loan to AIG
- **September 29:** Dow drops 778 points, the largest one day drop in history
- **October 3:** President George Bush signs the Emergency Economic Relief , creating a \$700Billion Troubled Assets Relief Program (TARP) to purchase banks' failing assets
- **October 11:** The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history. Over the last eight trading days, the DJIA has dropped 22% amid worries of worsening credit crisis and global recession. Paper losses now on US stocks now total \$8.4 trillion from the market highs last year.
- **November 4:** Democratic Candidate Barack Obama wins presidential election

### **2009**

- **January 20:** President Barack Obama sworn in as 44<sup>th</sup> president of the United States
- **February 4:** Governor Jodi Rell announces her proposed FY 2010-FY2011 budget
- **February 17:** President Barack Obama signs the American Recovery and Reinvestment Act into law
- **February 26:** Mayor John DeStefano announces his proposed New Haven municipal budget, keeping property taxes even but cutting jobs in City Hall and Board of Education
- **March 22:** President Obama and Treasury Secretary Geithner announce the Public Private Investment Program to buy toxic assets, stock market rallies.

### **III. IMPACT ON NON-PROFIT ORGANIZATIONS**

#### **A. NON-PROFIT ROUNDTABLE DISCUSSIONS**

The Community Foundation is committed to helping the nonprofit community survive and thrive during this economic downturn. In order to have more information about how best to partner with the Community during the downturn, it was important to listen to what the issues were for the non-profit organizations.

The Foundation hosted four nonprofit conversations on January 23<sup>rd</sup>, February 4<sup>th</sup>, February 23<sup>rd</sup> and March 3<sup>rd</sup> with over 60 nonprofit directors representing a variety of sectors, geographic areas and with different perspectives, some direct service, others intermediary organizations. Most of the Executive Directors represented organizations that are current grantees and have multiple relationships with the Foundation. Foundation staff was careful to maintain a listening role at these meetings sitting on the outside of the conference table. All of the meetings were facilitated by the Foundation's Vice President for Human Resources.

A survey was distributed via Survey Monkey before each meeting session to the invited executives. Before each nonprofit roundtable, the survey data was analyzed and shared as part of an introduction to each meeting, so executives could see the aggregate experiences of their colleagues. The survey results helped guide the conversation and served as a real-time mirror of the nonprofit community as each week brought new national and state economic occurrences.

In addition to the scheduled roundtable discussions The Foundation's CEO had the opportunity to meet with a group of arts organizations separately, participate in a state wide event discussing the topic of how government and philanthropy can work together and participate in a discussion led by the Mayor of New Haven regarding the impact of the economic crisis on New Haven non-profits. These opportunities provided additional knowledge that is included in this report.

#### ***Summary of findings from roundtable discussions and other meetings:***

The directors represented all issue areas: arts and culture, youth development, economic development, education, environment, basic human needs, legal services/advocacy and health/mental health. The three meetings in New Haven covered all the issue areas, as compared to the meeting in the Valley which was more focused on health and human services. The organizations are located in every part of the Greater New Haven 20 town region, including New Haven, Inner Ring Suburbs, the Valley and The Shoreline.

Non profits are committed to making positive a contribution to the community. They are often faced with having to "do more with less", and thus are particularly challenged in these economic times.

Directors are most proud of their staff and service offerings that help families.

- When asked “What are you most proud of?” Executive Directors overwhelmingly praised their dedicated staff. Conversely, they have a great deal of concern about the morale of their staff that are faced with increasing case demands and stress related to their own financial situations.
- Executive Directors were proud of their ability to meet the complex needs of families through expanded program offerings, multilingual services and best practice models.

In the early meetings, there was a high level of uncertainty about the impact of the downturn. As time went on, there were increasing concerns about staff layoffs, cutting programs and deferred planning for new operating and program needs.

### Executive Director Concerns

Below, is a sampling of concerns that reverberated through the roundtable discussions when asked the question “What keeps you up at night as an Executive Director?”

- Funding was the major concern as many agencies receive significant portion of their budgets from state funds.
- Cash flow—everyone is paying late, contracts aren’t being signed as quickly so budgets are off.
- Increasing problems and less resources to solve them
- Donor “compassion fatigue”
- Underfunded defined pension plan
- Low staff morale because of the increased crisis
- Overwhelmed with too much to do
- The “newly poor”: people needing services who have never used these services before/demographics are changing
- Fear of losing sight of the big picture amidst this crisis, fear of making a wrong decision
- Violence (including domestic violence and child abuse) and mental health issues are greatly increased during times of economic crisis

### Collaboration and Advocacy

- Nonprofit directors discussed collaboration and resource sharing at both meetings. There were several offers of resources from nonprofits such as one organization offering music/dance classes to nonprofit staff and one director sharing how Google Applications are free to nonprofits.
- When the discussion turned to more intentional collaboration, nonprofit directors were open to the idea and understood the importance of collaboration. Several people remarked that it would be great if The Foundation hosted a further conversation that helped to describe and evaluate key elements that make collaborations successful. A few shared rather candidly that not all collaborations that they were part of worked well. Many spoke of the necessity of collaboration being a means to an end and not an end itself. Organizations should have a common purpose for collaboration. The Valley group discussed the importance of regional solutions and seeing the Valley as a cohesive region.
- There was discussion of the importance of thinking creatively and new ways to address the dwindling resources; trying to turn “crisis into opportunity.”

- There was also awareness of the importance for common advocacy on the state level for funding.

### Possible Ways The Foundation can Impact the Sector during the Economic Downturn

Below is a list of ideas nonprofit Executive Directors suggested for The Foundation to provide support to the nonprofit community:

- Serve as a convener for discussions about how to successfully collaborate
- Provide basic operating support grants
- Encourage partnerships and collaborations
- Provide technical assistance
  - Collaborations
  - Merger
  - Executive Transition
  - Organizational assessment
  - Development/fundraising
  - Professional development for staff
  - A cadre of consultants that could be called to help with specific problems, esp. legal and personnel
- Broker national funding opportunities with national foundations and federal government for large scale initiatives in Greater New Haven
- **Have greater presence in state policy discussions: advocacy/policy for long term impact**
- **Inform the community about the worth of non-profits which translates into promoting giving and advocacy**
- Help nonprofits plan for next 3-5 years since this budget will impact us for several years down the road; focus on the organizations' planning for the future.
- Provide different grant application tracks for start up non-profits and established organizations and help start-ups see if their business model is viable

### Notable Quotes from Executive Directors

“If we lose some funding, there’s not a lot of ‘fat’ to cut. The state budget is unclear, the city budget is unclear. We would be trimming into muscle if we had to cut more.”

“This is surreal because this is the way our families feel all the time, and the way a lot of my staff feel most of the time. That the whole world is looking like the inner state of how the children and families feel everyday helps to validate their experience.”

“To work with those organizations that even with the economic constraints, are trying to use this time to plan for future growth and opportunities. These are the organizations we also need to pay particular attention to because they will be the ones in the best position to help our efforts take that “next step” once the economy improves.”

“I’m concerned about giving. Compassion fatigue is going to set in as people become poorer.”

“We need to engage staff in helping us so we don’t feel so lonely at the top as ED’s in making the critical decisions.”

“The gathering of Executive Directors was very helpful and important -- and we should keep the dialogue going. I thank you and the Foundation for doing so. “

“I also want to thank you for being so supportive and responding so quickly to the immediate needs of New Haven's non-profits.”

### Arts Organizations

At a March 11<sup>th</sup> meeting with the arts organizations and arts funders that have been part of the Greater New Haven Arts Stabilization Project (GNHASP), The Foundation heard how especially challenging these financial times are for them. Many funders (government, foundations and donors) are concentrating their dollars on basic needs. Yet we heard from the donors that the arts are an integral and vital part of the fabric of life in Greater New Haven, as well as a particular strength of this region. Tuition-based institutions (such as Neighborhood Music School and Creative Arts Workshop) as well as ticket-based institutions (such as Long Wharf Theatre, the Shubert, New Haven Symphony Orchestra and the Festival) have seen declines in every area of support, including enrollment, ticket sales, contributions and, especially, corporate sponsorships. The reductions in support proposed in the state budget are magnifying the difficulties. The eight GNHASP organizations did state clearly how much better prepared they are for the downturn both organizationally and in terms of their working capital reserves as a result of GNHASP.<sup>3</sup>

### Conclusions from Roundtable Discussions

These discussions have provided needed insight into the nonprofit community. Non-profit organizations are facing unprecedented management challenges. They are focusing more on preserving core operations than on new or expansions of existing programs. It is clear that the state’s budget crisis will present a longer-term need for the non-profit organizations to present themselves better to the public and private sources of funds. Executive Directors are worried, but they are also resilient, creative, problem solvers. There has been an excellent response rate: non-profit leaders have been engaged in the dialogue and very appreciative of the convening.

The Foundation will continue these conversations and will report on them through GNH Community web site as we gather more information from the conversations and survey. The Executive Directors were enthusiastic about the enhancements planned for GNH Community which include: an area where Executive Directors can have a dialogue about the impact of the economic downturn, a column where they can exchange information about services, products and ideas, thereby enhancing collaboration, and a column where knowledge and resources can be posted.

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<sup>3</sup> The eight institutions that participated in GNHASP are CAPA (the Shubert Theatre), Creative Arts Workshop, Guilford Art Center, International Festival of Arts and Ideas, Long Wharf Theatre, Neighborhood Music School, the New Haven Museum, and the New Haven Symphony Orchestra. The Foundation was the largest private contributor to GNHASP, contributing \$1 million over the five-year period from 2000-04.

### Panel on Government and Philanthropy

The Foundation's CEO participated as a panelist in a statewide event on how state government and philanthropy can work together. This event included an overview of the state budget and a presentation about the federal budget's impact on Connecticut with specific reference to the American Recovery and Reinvestment Act ("stimulus package") of 2009.<sup>4</sup>

It was concluded that Connecticut faces several challenges in being able to position itself to take advantage of the federal stimulus dollars. Those challenges include:

1. Conditions attached to some of the stimulus funds—CT should make sure it complies
2. Some stimulus funds may only supplement not supplant current state funding
3. Changes in state law are required to take advantage of some of ARRA's incentive payments
4. Responding to the competitive grant opportunities requires enhanced capacity
5. Importance of education and outreach about the ARRA

When asked about the stimulus package, non-profits said that they needed more information to see if they could take advantage of it and welcomed the idea of The Foundation organizing a forum. The Foundation has been working with other foundations throughout Connecticut and with the CT Council on Philanthropy to organize a forum on the federal stimulus legislation. This forum will be held on April 13<sup>th</sup>. Keynote speakers will be Shelley Geballe and Stewart Hudson, with breakout session that includes expert speakers in the areas of: education, transportation, housing, environment, health, workforce and the arts.

### Discussion with New Haven Mayor and other Local Philanthropic Leaders

On March 25, The Foundation along with other local philanthropic institutions and individuals<sup>5</sup> met with Mayor John DeStefano Jr. to discuss the effect of the economic downturn on the local non-profit sector and to share thoughts as to how best to respond. In summarizing his view of how the downturn is affecting this community, Mayor John DeStefano Jr. made the following points:

- While from the economic and economic development standpoints New Haven is relatively well-positioned as a result of the dominant role of health care and educational institutions in the local economy, unemployment continues to rise here (now over 10.5%), in part because of the number of New Haven residents who have lost service sector jobs located outside of the City of New Haven. (See Appendix B- DataHaven Barometer).
- New Haven continues to experience significant negative impacts of the recession, in particular highlighting:

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<sup>4</sup> PowerPoint of Geballe presentation available at: <http://www.ctkidslink.org/media/other/ARRA030909.pdf>.

<sup>5</sup> Institutions or individuals represented at the meeting included the New Alliance Foundation, Casey Family Services, the Annie E. Casey Foundation, United Way of Greater New Haven, William C. Graustein and Empower New Haven, in addition to The Community Foundation and the City of New Haven.

- Unprecedented levels of mortgage foreclosures, which have not yet leveled off; (See Appendix B- DataHaven Barometer) and
  - Levels of violence that are unacceptably high, particularly involving young people and ex-offenders.
- The near-term prospects for the local non-profit sector is a matter of grave concern, given that the private sector and local government combined lack the capacity to make up for impending state budget cuts.
- The youth services and arts/culture sectors are likely to be impacted most severely from the downturn and the resulting decline in state funding, since there will be lower levels of federal stimulus funds in these areas, while the public health and homelessness agencies are likely to receive more federal stimulus funds.
- While the stimulus funding will hopefully play an important role in reviving the economy, the direct impact of the federal stimulus bill on the budget of the City of New Haven will not be dramatic. The biggest impact will be on the Board of Education, which will receive significant funding to supplement its operating budget. In addition, the stimulus legislation includes substantial discretionary funds to support the education reform initiatives which NHPS is about to launch. The federal stimulus funding will also support community development, homelessness prevention and transportation initiatives in New Haven.

## B. NON-PROFIT SURVEY RESULTS

### Background

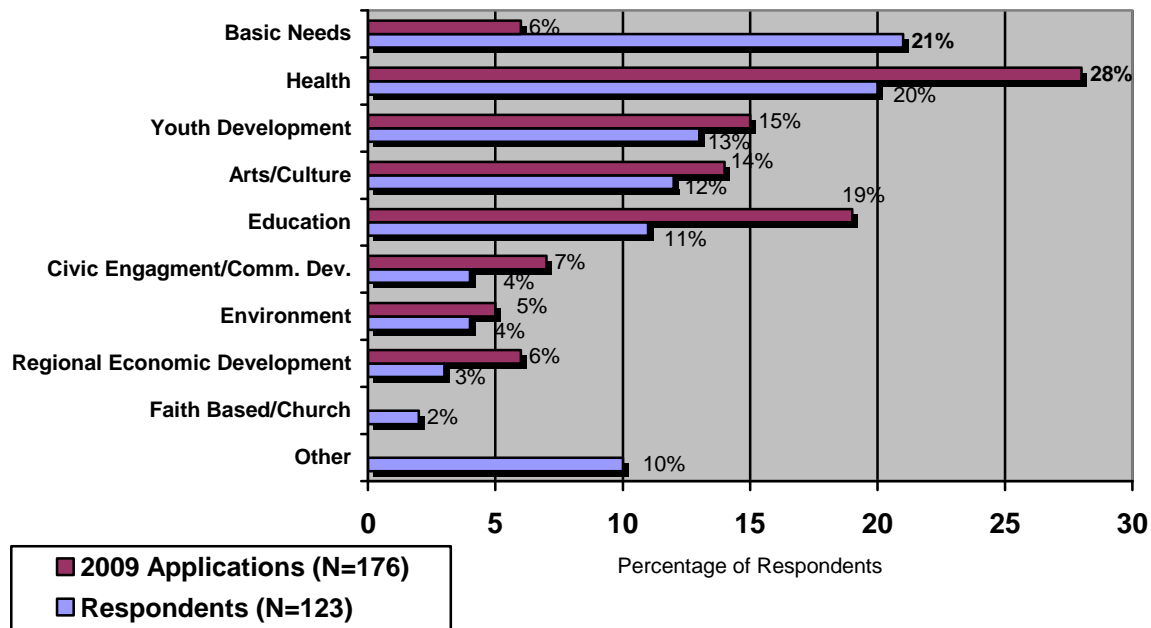
#### *Demographics of Survey Respondents*

The Community Foundation solicited responses to this survey from a list of 404 non-profit executives in the Greater New Haven region. A total of 136 organizations responded to the survey which is equivalent to a 34% response rate. Thirteen organizations did not complete the demographic section of the survey. The survey was distributed through a request sent by email which contained a link to the on-line survey. In addition, the survey was marketed (not distributed) through the CT. Association of Non-Profits, The Greater New Haven Chamber of Commerce and The Foundation's web-site. In order to respond to the survey, respondents had to receive the email link directly from The Foundation. This ensured that non-profit executives were completing the survey and also prevented multiple responses from staff at a single organization. All of the respondents were Executive Directors or acting on behalf of the Executive Director. A majority of respondents report having a relationship with The Foundation, some of them multiple relationships: 63% are current competitive grantees, 46% are prior grantees, 35% receive distributions from foundation named funds and 14% have their organizational endowment at The Foundation.

#### *Core Service Area*

The survey sample represents multiple program areas. Respondents were asked to choose their primary core service area. The five most represented program areas include Basic Human Needs (21%), Health (20%), Youth Development (13%), Arts/Culture (12%) and Education (11%). Below is a comparison between the core service areas of the survey sample and the 2009 competitive grant applications received by The Foundation.

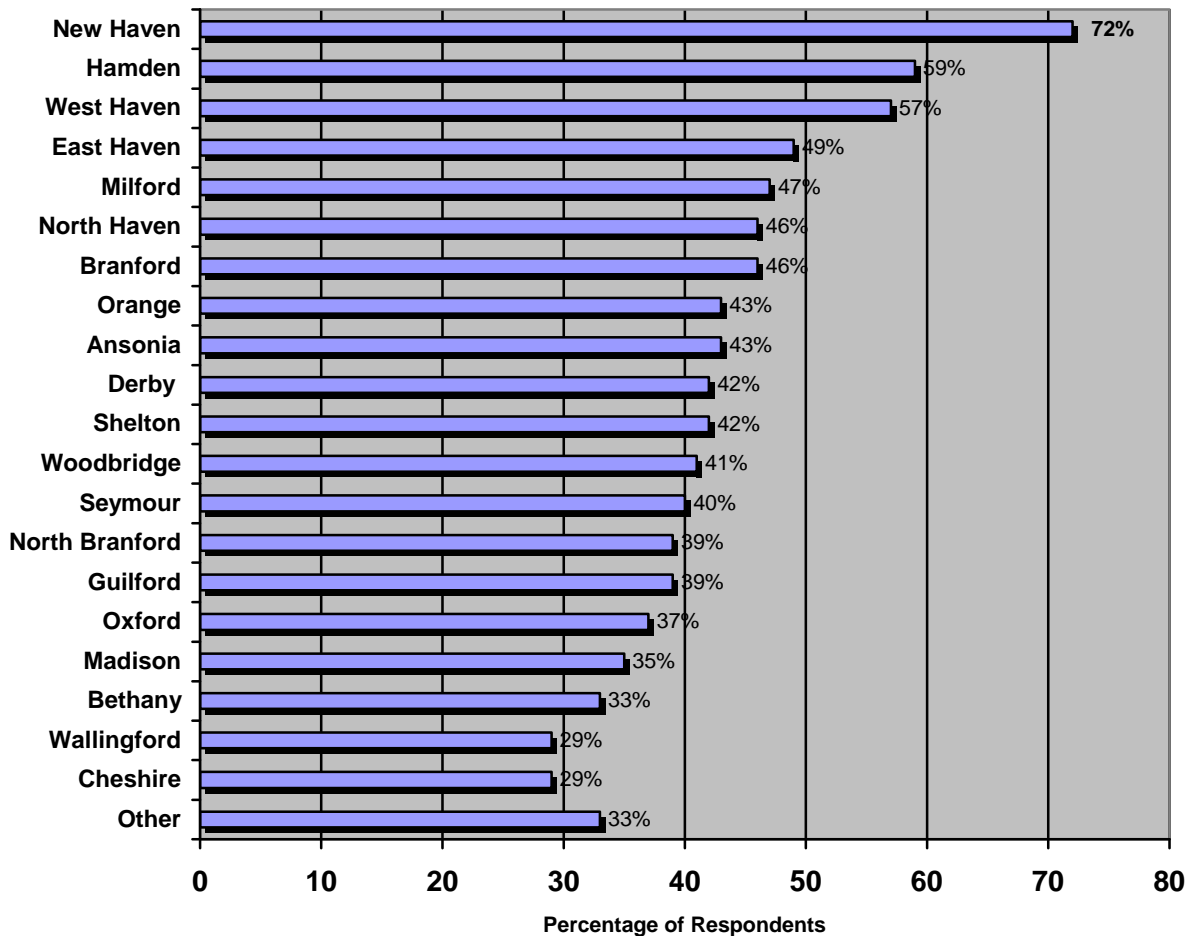
Percentage of Respondents by Core Service Area



### Geography

Survey respondents represent The Foundation's entire twenty town region. Respondents were asked to identify both the location of their primary or main office space and all the geographic areas they serve within The Foundation's twenty town region. As expected, most of the organizations (52%) are centrally located in New Haven with 72% of organizations serving New Haven. On average 41% of the organizations serve the Lower Naugatuck Valley (Ansonia, Derby, Oxford, Seymour & Shelton). Over 30% of the organizations surveyed also serve locations outside of The Foundation's twenty town service area including some outside of Connecticut and at least one international organization. Most of the organizations serve multiple cities and/or towns in the region.

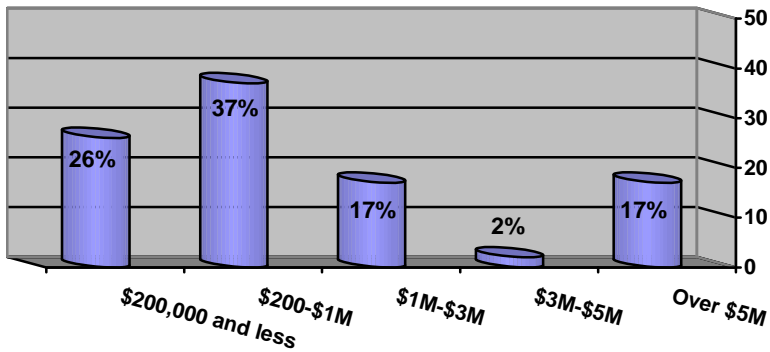
**Percentage of Respondents by City or Town Served  
(N=123)**



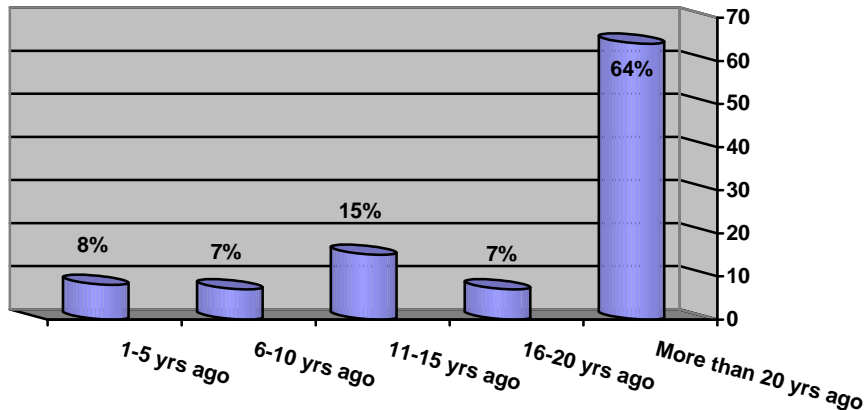
*Size, Age & Staff of the Organizations Surveyed*

More than half (63%) of the respondents have an annual operating budget of up to \$1 million. Approximately one-third of the organizations in the sample have an annual operating budget between \$200,000 and \$1million while one-quarter have a budget below \$200,000. Two thirds of the organizations (68%) have ten or fewer full time staff with twenty-two organizations having zero full time staff. More than half of the organizations were founded more than 20 years ago. Half of the Executive Directors have more than 5 years of experience in their current position while nearly 40% have been in their position for 11 or more years.

**Percentage of Respondents by Annual Operating Budget**  
N=123



**Percentage of Organizations by when they were Founded**  
N=122



**Number of Staff by Employment Status**  
N=123

<b># of Staff</b>	<b>Full Time # (%)</b>	<b>Part Time # (%)</b>
<b>0</b>	22 (18)	24 (20)
<b>1-10</b>	<b>61 (50)</b>	<b>58 (47)</b>
<b>11-20</b>	14 (11)	15 (12)
<b>21-60</b>	9 (7)	12 (10)
<b>61-100</b>	6 (5)	3 (2)
<b>101-500</b>	8 (7)	7 (6)
<b>500+</b>	3 (2)	4 (3)

**Tenure of Current Executive Director**  
N = 114

<b># Years as ED</b>	<b># (%)</b>
<b>&lt; 1yr</b>	6 (5)
<b>1-5 yrs</b>	<b>52 (46)</b>
<b>6-10 yrs</b>	12 (11)
<b>11-15 yrs</b>	20 (18)
<b>16-20 yrs</b>	9 (8)
<b>20+ yrs</b>	15 (13)

*Funding Sources*

One of the biggest concerns expressed by non-profit organizations in the region is how the 2010 state budget will impact their operations. Over 15% of the survey respondents report that they rely on state funding for 50% or more of their budgets while another 21% rely on state funding for 11-49% of their annual budget. In this sample there also seems to be a similar reliance on state funds, foundation grants and individual donations. Large organizations report to be more reliant on state funding; 48% of non-profits with an annual operating budget of \$5 million or more rely on state funding for 50% or more of their budgets. Approximately one-third (36%) of the organizations have an endowment while half (52%) have operating reserves.

**Percentage of Budget by Funding Source**  
N=123

<b>% of Budget</b>	<b>% of Respondents with Revenue Source</b>					
	<b>Federal Funds</b>	<b>State Funds</b>	<b>Foundation Grants</b>	<b>Individual Donations</b>	<b>Endowment or Reserves</b>	<b>Fees for service</b>
10% or less	84%	63%	57%	58%	94%	64%
11%-49%	11%	<b>21%</b>	27%	30%	5%	18%
50% or more	5%	<b>16%</b>	16%	12%	1%	18%

**Percentage of State Funding by Budget Size**

<b>% of Budget made up of <u>State Funds</u></b>	<b>Budget Size of Respondents</b>				
	\$200K and under (n=32)	\$201K-\$1M (n=46)	\$1M - \$3M (n=21)	\$3M - \$5M (n=3)	Over \$5M (n=21)
10% or less	<b>88%</b>	57%	72%	33%	38%
11%-49%	3%	39%	14%	33%	14%
50% or more	9%	4%	14%	33%	<b>48%</b>

**Percentage of Foundation Grants by Budget Size**

<b>% of Budget made up of <u>Foundation Grants</u></b>	<b>Budget Size of Respondents</b>				
	\$200K and under (n=32)	\$201K-\$1M (n=46)	\$1M - \$3M (n=21)	\$3M - \$5M (n=3)	Over \$5M (n=21)
10% or less	38%	56%	47%	<b>100%</b>	<b>91%</b>
11%-49%	34%	33%	24%	0%	9%
50% or more	28%	11%	<b>29%</b>	0%	0%

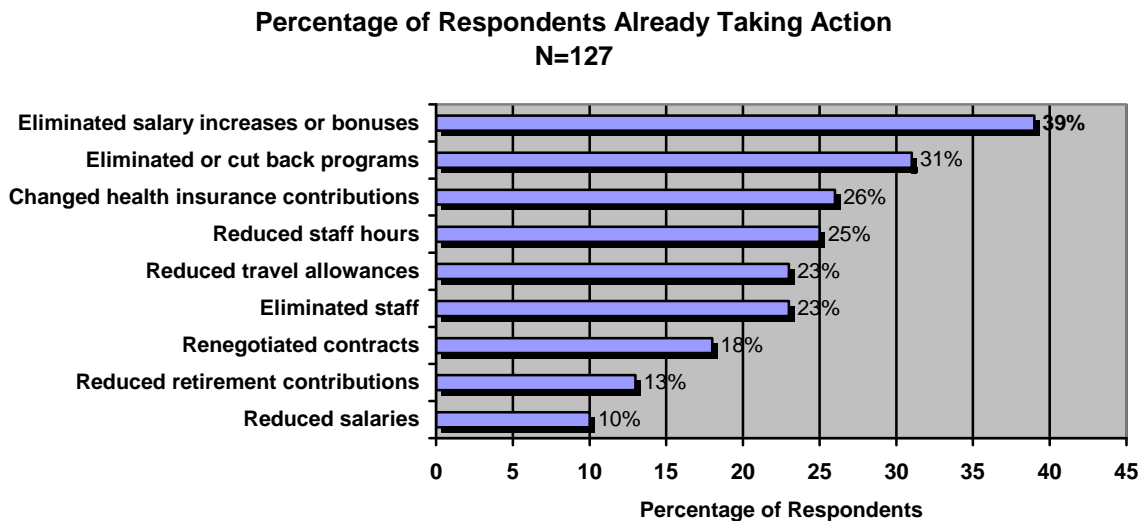
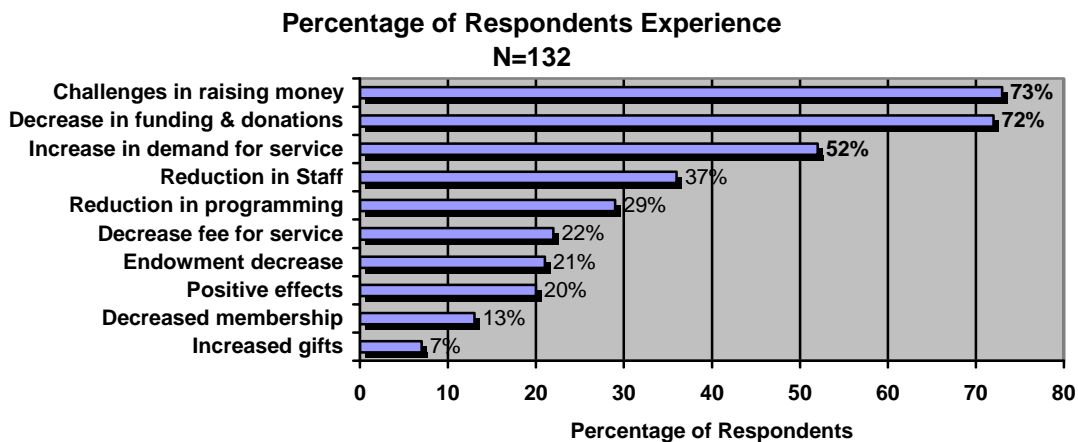
**Percentage of Individual Donations by Budget Size**

<b>% of Budget made up of <u>Individual Donations</u></b>	<b>Budget Size of Respondents</b>				
	\$200K and under (n=32)	\$201K-\$1M (n=46)	\$1M - \$3M (n=21)	\$3M - \$5M (n=3)	Over \$5M (n=21)
10% or less	47%	48%	62%	67%	<b>91%</b>
11%-49%	34%	39%	33%	33%	0%
50% or more	19%	13%	5%	0%	9%

## Impact of the Economic Downturn on Non-Profit Organizations

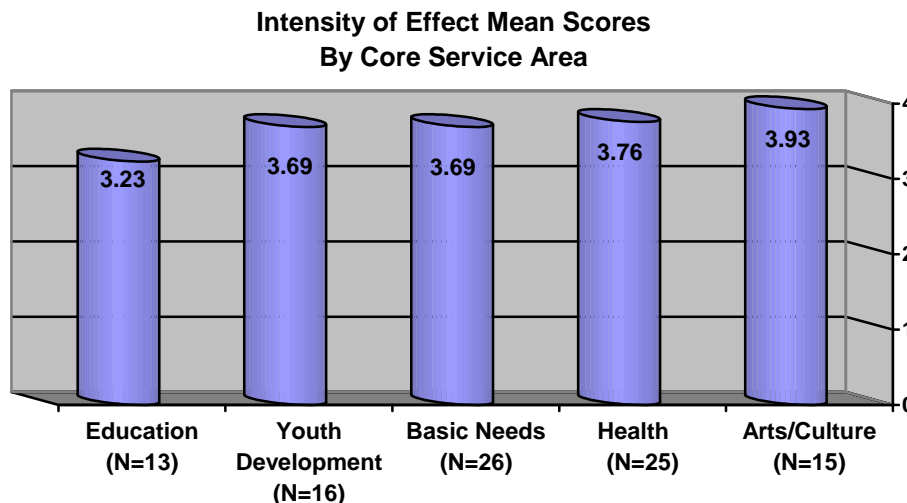
### Experience

While more than half (59%) of Executive Directors feel that their organizations are well prepared to handle the challenges that lie ahead, all of the organizations surveyed are already experiencing effects of the economic downturn. The most prominent effects are challenges in raising money, decrease in funding/donations and increased demand for service. As a result of the experience thus far most organizations (77%) have already taken steps to trim their budgets and cut expenses by eliminating salary increases and bonuses (39%), eliminating or cutting back programs (31%) and making changes to health insurance contributions and plans (26%). Only 23% have eliminated staff so far which indicates that lay offs are a last resort.



### Intensity of the Impact

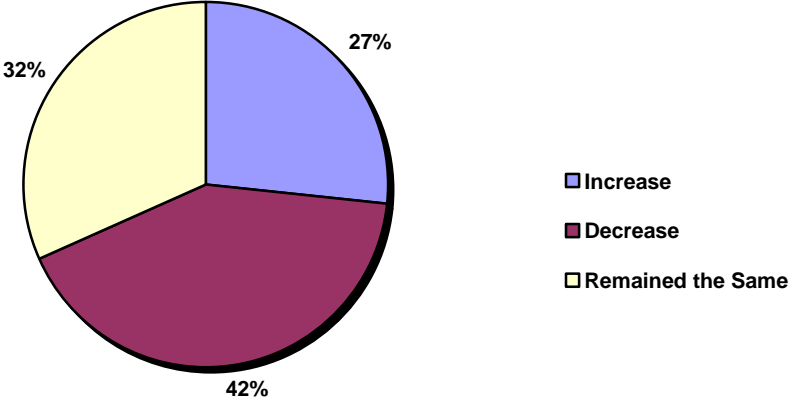
All organizations report that the financial health of their organization is being impacted. When asked to rate the intensity of the effect on a scale of '1' to '5' with '5' being the most affected more than half rated the intensity a score of 4 or 5. There is no notable difference in the intensity of effect between organizations of different budget sizes. However, education organizations had a notably lower mean score than organizations from other core service areas.



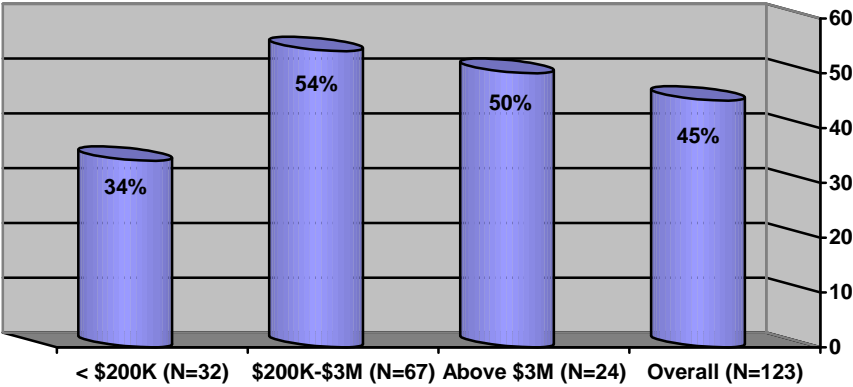
### Challenges in Raising Money & Decrease in Donations

When asked to compare the amount of money raised between October 1, 2008 and January 31, 2009 to the same time period in 2007-2008, 42% of organizations reported a decrease while 27% reported an increase. Among those that reported a decrease the average decrease was 24%. Mid to large size organizations report a more significant challenge in raising money when compared to organizations with an annual budget of less than \$200,000 per year. Arts organizations seem to be particularly challenged in raising money when compared with other core service areas while nearly half of the basic need organizations have experienced an increase in fundraising. This increase could be the result of two major fundraising campaigns (Neighbor to Neighbor Life Line and Making a Good Gift Better) that focused on basic need organizations occurring in the region between October 2008 and March 2009.

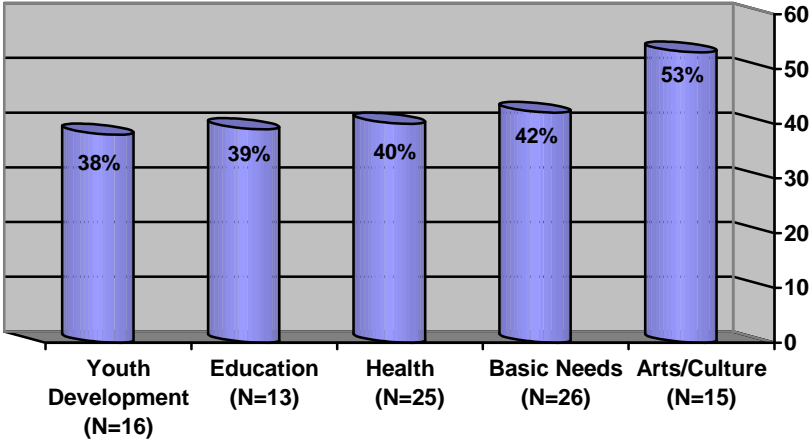
**Percent of Respondents Reporting  
Change in Fundraising from 2007 to 2008  
N=132**



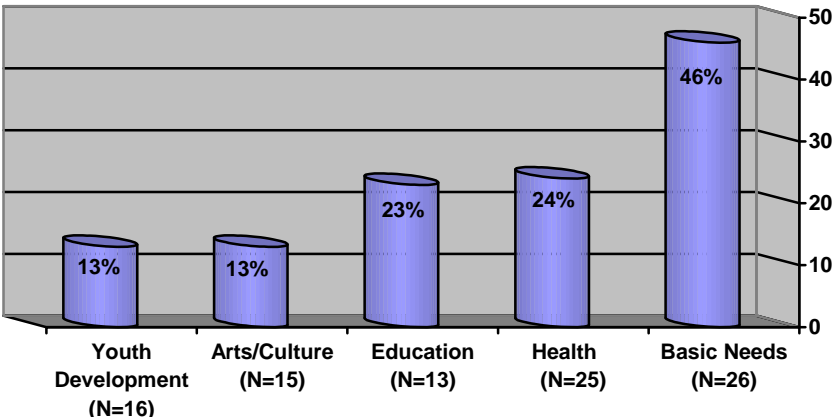
**Percentage of Organizations Reporting a DECREASE in  
Fundraising from 2007 to 2008  
By Budget Size**



**Percentage of Organizations Reporting a DECREASE in Fundraising  
from 2007 to 2008  
By Core Service Area**



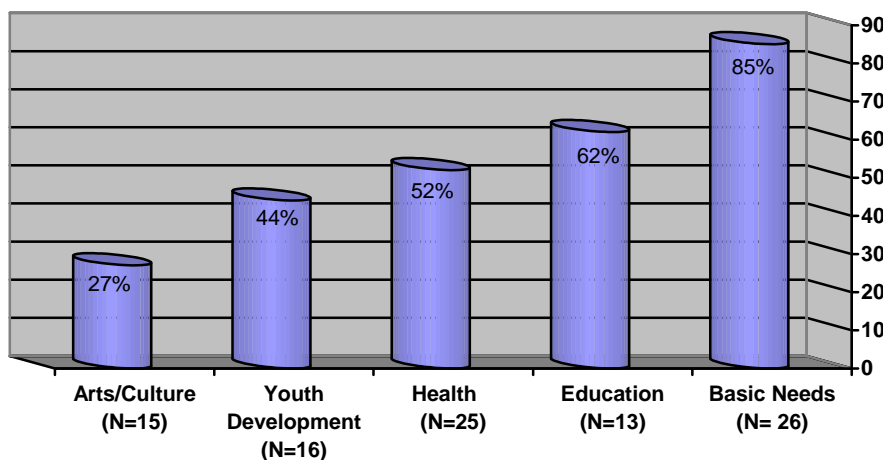
**Percentage of Organizations Reporting an INCREASE in Fundraising from 2007 to 2008  
By Core Service Area**



### Increase in Demand for Services

More than half of the organizations reported experiencing an increase in the demand for their services with an average increase of 22%. Among the organizations experiencing an increase in demand, 32% simultaneously experienced a decrease in fundraising while 35% experienced flat fundraising between 2007 and 2008. This supports what Executive Directors shared during the outreach and meetings conducted between October 2008 and March 2009. Non-profit executives expressed being especially concerned about the increase demand and decreasing resources. As expected an overwhelming majority of basic needs organizations (85%) are experiencing an increase in demand for their services when compared to other core service areas.

**Percentage of Organizations Reporting Increased Demand for Services  
By Core Service Area**



### ***Expectations***

More than half of the organizations are expecting a decrease in revenues for the current fiscal year. Most feel that the decrease will be most prominent in funds received from state government, individual donors, foundations and corporations. Over 80% of respondents are most worried about their next fiscal year when they are more likely to feel the impact of the increased demand for services in conjunction with state budget cuts and declining private donations.

### ***Planning***

All Executive Directors express a sense of uncertainty in terms of planning but most are expecting the worst while anticipating having to make difficult decisions about programs and staff. It is clear from the survey results that organizations are willing to try everything before resorting to laying off staff. This was also clear during the roundtable discussions. Only 14% are planning on eliminating staff over the next year while 86% plan on identifying new funding sources by strengthening marketing and increasing outreach to existing and new donors. Some are interested in identifying opportunities to merge but there still seems to be a reluctance to consider this as an option. More than half are planning on identifying opportunities to partner. During the roundtable discussions some Executive Directors noted that cost savings are not the

only reason to merge and that sometimes mergers are not an effective means of cutting costs. When asked what steps they were planning on taking over the next year in response to the economic downturn some of the responses included:

- Identify new funding sources: 86%
- Identify and reach out to new donors: 79%
- Identify and reach out to existing donors: 76%
- Trim the budget and cut expenses: 72%
- Identify opportunities to partner: 61%
- Evaluate and measure operating efficiency: 53%
- Decrease energy usage: 24%
- Reduce staff hours: 21%
- Identify opportunities to merge: 18%
- Share back end operations: 18%
- Lay off staff: 14%
- Reduce staff salary: 8%

### *National Survey Results*

The nonprofit finance fund recently conducted a very similar survey distributed nationally. There were 950 nonprofit professional respondents, 13% of the sample was from CT. The findings they report: <sup>6</sup>

America's nonprofit sector is financially vulnerable.

- Only 13% of nonprofit respondents expect to operate above break-even this year.
- Just 16% anticipate being able to cover their operating expenses in both 2009 and 2010.
- 31% don't have enough operating cash in to cover more than one month of expenses, and another 31% have less than three months' worth—that's over 60% with less than 90 days of cash.
- 52% expect the recession to have a long-term (2+ years) or permanent negative financial effect on their organizations.
- 92% of lifeline organizations that provide essential services anticipate an increase in demand in 2009; 91% of these lifeline groups primarily serve vulnerable populations.

What steps are nonprofits taking during this time of economic crisis? When we asked to identify actions taken within the past 12 months or planned for the next 12 months, this is what was reported:

- Develop 'worst-case' scenario contingency budget: 66%
- Engage more closely with the board: 58%
- Discuss current financial challenges and/or grant money flexibility with funders: 48%
- Use reserve funds: 43%
- Collaborate with another nonprofit to provide programs: 41%
- Reduce staff or salaries: 41%
- Reduce or eliminate programs: 39%
- Delay payments to vendors: 23%

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<sup>6</sup> <http://www.nonprofitfinancefund.org/content.php?autoID=166>

## **IV. IMPACT ON GIVING**

### ***Donors***

During the first quarter of 2009, The Foundation also solicited feedback from its donor community. The Foundation held two discussions on February 26, 2009 and March 11, 2009 with donors to gain insight into how the economic downturn was impacting their view of the nonprofit community, their giving and philanthropy in general. Most donors were affiliated with several organizations in the Greater New Haven community and served these nonprofit organizations with their board leadership, volunteerism and financial resources.

It has been important for The Community Foundation for Greater New Haven to study what external experts are saying about the impact of this economic crisis. In particular, we have been interested in learning how the downturn in the markets and decrease in household wealth will impact giving in the out years of this crisis. Here is what The Foundation has learned from the research:<sup>7</sup>

- It is not known yet what impact the financial crisis has had, and will have, on giving in 2008, 2009 and beyond
- In the recession of 2000 and 2001, charitable giving from all sources dropped 2.2% and individual giving declined by 3.9%
- Individual giving depends not just on financial resources, but also on levels of wealth and life cycle stages
- If we hypothesize that the stock market remains about 30% below what its value was at the beginning of 2009, then we expect charitable giving to decline 3-4% in 2008; and an additional 3-4% in 2009
- The inclination of individuals across the economic spectrum to care for others who are in need during hard times has the potential to set in motion more giving

This aligns with a March 26, 2009 Chronicle of Philanthropy article that reports the majority of donors say the economic woes won't affect their giving. Most donors strongly believe in the causes and organizations they support and are willing to sacrifice other expenses in their household budgets to keep their commitments. According to a recent survey "their investment portfolios may be slumping and their jobs less secure, but a majority of Americans who give to charity still plan to donate as much this year as they have in the past."<sup>8</sup> More than 52% said their gifts would be at least as large as in 2008, while just 17.5% planned to give less. However, that leaves 30% of donors who say it is too early to tell. This is where initiatives to reach out to donors and explain the economic downturn and its impact on the nonprofit community can be particularly helpful, like The Community Foundation's Donor Focus Groups. Most donors said

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<sup>7</sup> Havens, J and Schervish Pail. "Giving in Today's Economy; What Can We Expect" Trusts and Estates. 2009.

<sup>8</sup> Preston, Caroline. Majority of Donors Says Economic Woes Won't Affect Their Giving. Chronicle of Philanthropy. March 26, 2009.

they would be willing to give for the first time if the charity was working directly with those people hurt by the recession.<sup>9</sup>

The Foundation actively partners with its donor community and has kept the lines of communication open to its donors and endowed organizations throughout all stages of this economic crisis. Below is a sampling of the actions The Foundation has taken to support the donor community during this time:

- Sent letters to organizations which receive designated funds grants with comprehensive report about past grants and expected 2009 grants
- Made follow up calls to 60 organizations with endowments at The Foundation to explain 2009 distribution and answer questions
- Updated The Foundation website with relevant information for the donor community
- Convened and facilitated two focus groups for donors
- Convened and facilitated one focus group for financial advisors

Donors were also very appreciative of having been asked to the focus groups. They enjoyed the exchange of ideas, hearing different perspectives, productive and worth their time. Donors were interested in hearing about our outreach efforts to the non-profit community. They were pleased to hear about the extensive efforts The Foundation is taking with the nonprofit community through the flexible funding, nonprofit focus groups and matched giving.

In our two donor focus groups, donors elaborated on what nonprofits they are most connected to, their worries for the sector as a whole during this downturn as well as their personal philanthropic philosophy. Below is an excerpt of the major thoughts gathered from these donor focus groups:

- Donors have broad and diverse interests -- education, arts, health, family and youth services, civil liberty and social justice, food and shelter
- Arts are very important to the quality of life of the Greater New Haven area. It is one of our most important assets and “value add”: “Other places have sports teams, we have the arts. It’s what makes us unique”
- Giving is very important to donors and is an essential part of their make-up, often imbedded by family values and tradition
- Donors may have suffered financial loss, but they will decrease other expenses in order to maintain charitable giving

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<sup>9</sup> Preston, Caroline. Majority of Donors Says Economic Woes Won’t Affect Their Giving. Chronicle of Philanthropy. March 26, 2009.

- Local organizations will take precedence in their giving, with tough choices among many causes at the local, national and international levels
- There is wide understanding and current concern about the large role the state budget plays in the operations of nonprofit organizations
- Donors said the current economic crisis is an opportunity for systemic change in the non-profit sector – efficiency, collaboration and capacity building: “A crisis is a terrible thing to waste”
- Some thought that The Foundation should be a leader for change and urge organizations to run more efficiently/effectively and to collaborate better with other sector organizations; Board members of nonprofits should be key players in change
- Donors also said there is an opportunity to engage people through giving, to expose more new people to the nonprofit sector, and grow giving
- Donors have learned about non-profit organizations from their relationship with The Foundation and want more guidance from The Foundation on how to be more strategic with their giving during tough economic times
- Donors see value in remaining hopeful and think individuals, organizations, and the community will not only survive the crisis, but be better for it. “Be hopeful: it makes change possible”
- Generally, donors didn’t think that the Obama administration proposals to limit deductibility of charitable giving for high-bracket tax payers would have a significant adverse impact on giving in the U.S.
- Donors are looking to The Foundation for vision and leadership

It is clear the Greater New Haven donor community is committed to supporting the local nonprofit sector through their time, gifts and championship.

### ***Professional Advisors***

At the end of March The Foundation convened a group of 20 professional advisors consisting of attorneys, financial planners, accountants, and bankers who advise clients on legal and financial planning matters. These professional advisors echoed much of what was heard directly from donors reported on how the downturn is affecting their clients’ long-term planning for charitable giving. Below are the highlights from this conversation:

- More mature clients who have experience in the market prove to be less anxious and more resilient. They tend to scale back or delay giving but do not eliminate it from their plans.

- Less mature clients are having a more difficult time and can get paralyzed by the economic crisis
- All clients are taking a “short steps” in planning. They are leaving long term goals in place but the means to reach those goals are less clear.
- Current giving is much more cautious and focused. Donors want to prioritize and want to respond to immediate needs.
- Clients are less interested in irrevocable trusts and most future giving is in wills and bequests.
- There is a reluctance to make decisions especially long-term charitable decisions
- Commitments to charities has remained but shifting to charities that concentrate on the immediate needs of the community
- Donors are overwhelmed with requests and need access to knowledge and experts to help them make decisions on where their investment can have the most impact
- People that are giving want to know more specifically how their money is being spent – more focused and targeted giving
- Matching gift programs are an effective way to incentivize donors
- The crisis has presented an opportunity for advisors to deepen their relationships with their clients.
- Advisors agreed with the donor view regarding the effect of Obama administration proposals on deductibility of charitable giving. Advisors and donors expressed that tax incentives are not the primary motivator in giving and usually do not play a role in making the decision to give or not.
- Advisors are looking to The Foundation to provide knowledge about charities and community needs to help inform their clients’ giving.

## **V. CONCLUSIONS**

The knowledge gained through this report will shape The Foundation's approach to grantmaking and the community philanthropy budget in these downturn years. It will also shape the approach to outreach, knowledge management and the operating budget as well. The following conclusions will support and inform the work moving forward.

- In this time of diminishing resources from all sources and increased needs, The Foundation needs to focus our efforts and our resources on sustaining and strengthening the capacity of the local non-profit sector. This means operating support grants for the key non-profit institutions in the community and technical assistance and capacity building support (consultants, training, etc.) for the non-profit sector more broadly. This also suggests a need to make the hard choices to decide which organizations will get direct grant support and which will not.
- The non-profit institutions and donors perceive a lack of leadership coming from the public sector and are looking to The Foundation for leadership, and a different kind of leadership. This means convening and connecting institutions, developing knowledge about the sector and its value and opportunities and disseminating it to donors and national funders, to state government (advocacy) and to the sector itself, as a way of promoting collaborative activity, mergers, etc.
- The challenges of the economic crisis present an opportunity to engage local people more fully in their community and to reinforce the message about giving locally and about the value of building the community's perpetual endowment.
- There is an opportunity for The Foundation to encourage broader thinking in the region and the state about the economic downturn.

The Foundation is already acting on many of the recommendations heard from the community and will continue to be advised by these recommendations as they relate to planning and grantmaking going forward.

# DataHaven Barometer

Tracking Community Conditions in New Haven

www.ctdatahaven.org

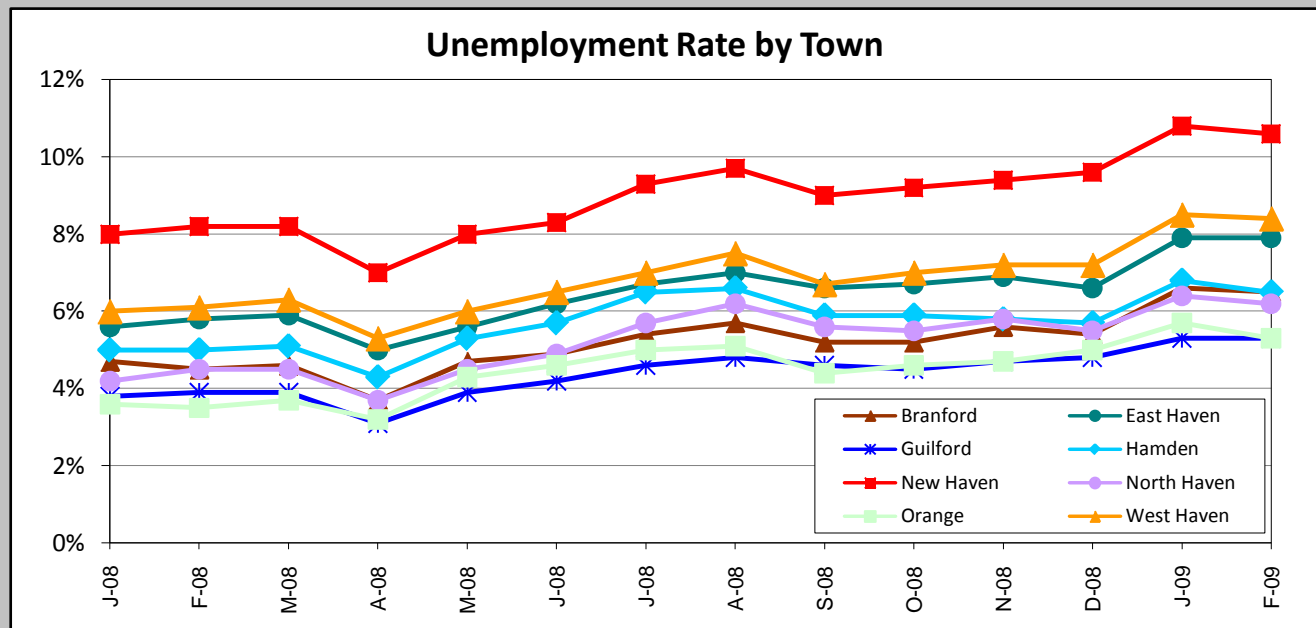
April 2009

DataHaven is a non-profit resource to support planning, needs assessment and market analysis by public, non-profit, and business entities in South Central Connecticut. DataHaven tracks the most recent community indicators on its website and in its new monthly Barometer. Additional indicators will be added over time. Email: info@ctdatahaven.org.

## Unemployment

- + From November 2007 to February 2009, the regional unemployment rate rose significantly.
- + During that time, the rate rose from 7.4% to 10.6% in New Haven.

Source: CT DOL

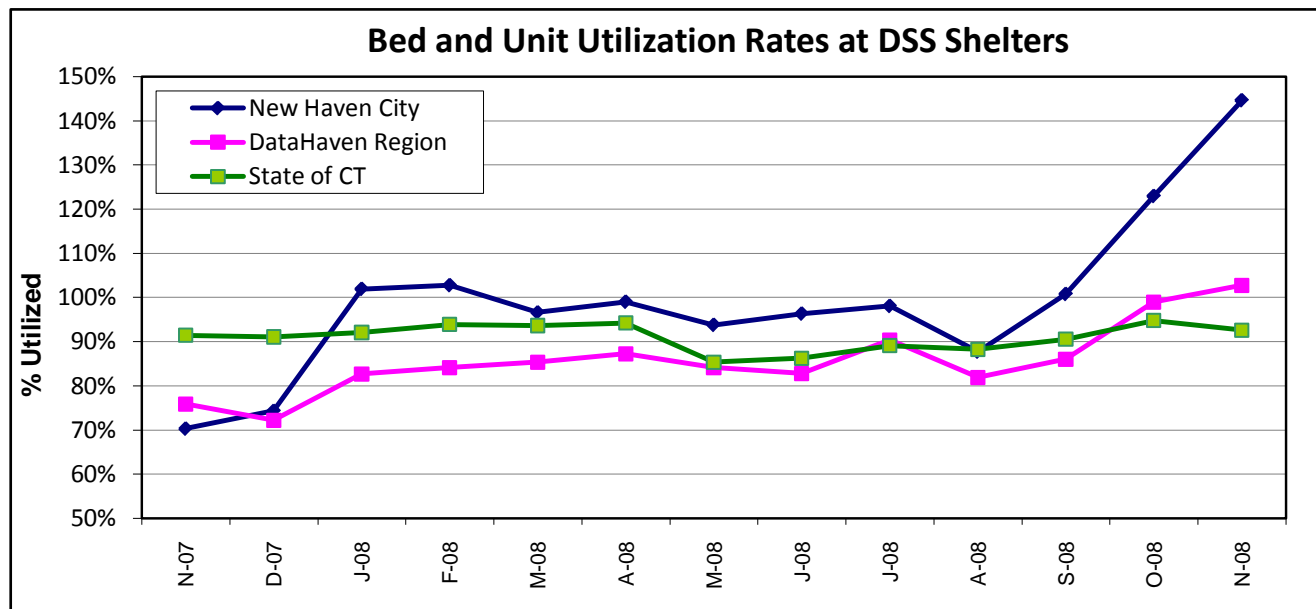


## Shelter

- + 551 clients were served in shelters in the New Haven Region in November 2008, a 26% increase from November 2007.\*
- + During that time, the number of clients served at shelters in the City of New Haven increased 31%, from 210 to 275.
- + Shelters have been operating at or near capacity, necessitating the use of "overflow" shelters.

Source: DSS

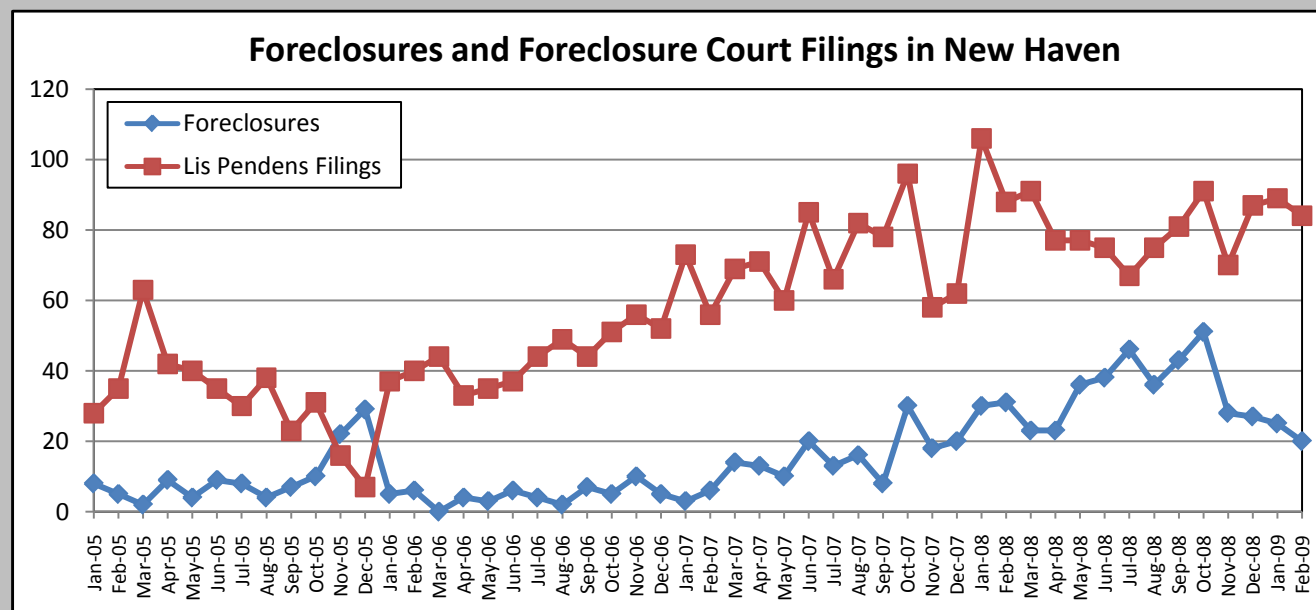
\*(Nov 08 is most recent data available)



## Foreclosures

- + The number of homes lost to foreclosure in the City of New Haven has risen dramatically, from 171 in 2007 to 412 in 2008.
- + Despite a drop in the number of foreclosures in the last three months of 2008 when compared to the summer months, the number of lis pendens (court) filings remained high.

Source: ROOF Project (theroofproject.org)

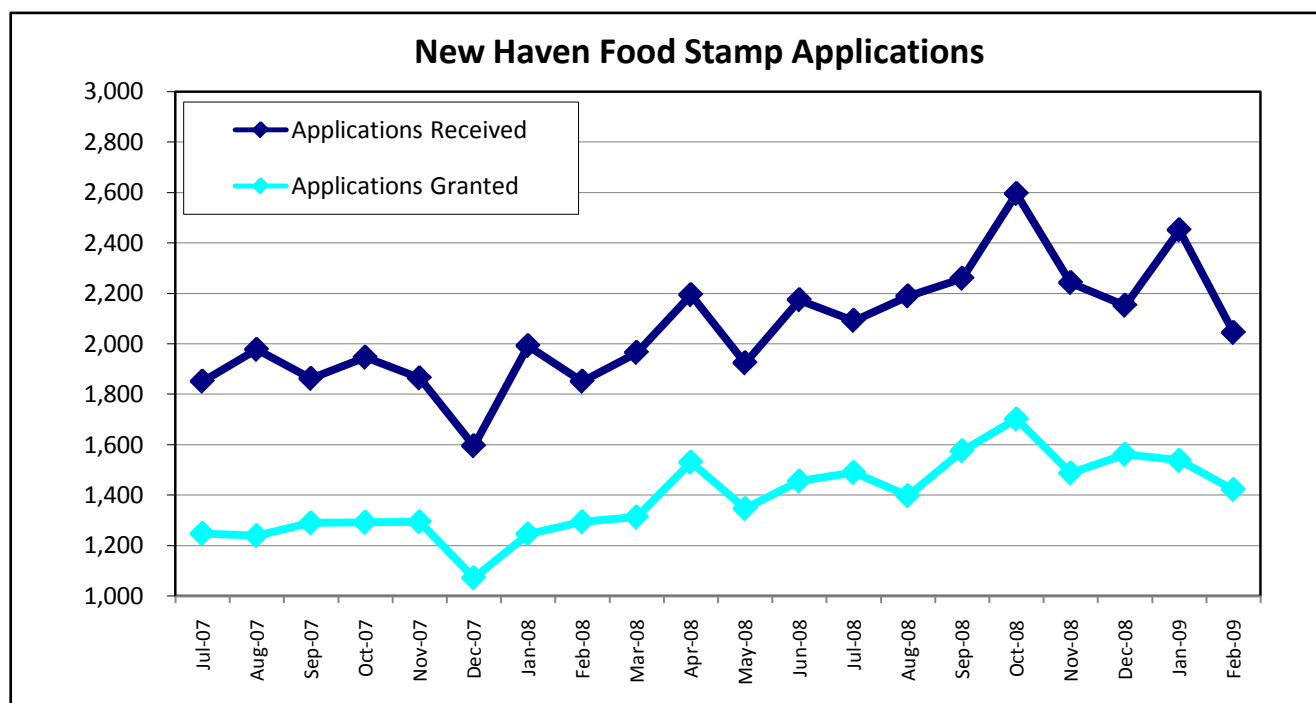


## Food Stamps

+ Comparing December 08 to December 07, New Haven had a 35% increase in food stamp applications (1595 to 2152, +557) and a 46% increase in food stamp grants (1072 to 1562, +490).

+ Similar increases were seen in Bridgeport, Hartford, and statewide.

Source: DSS

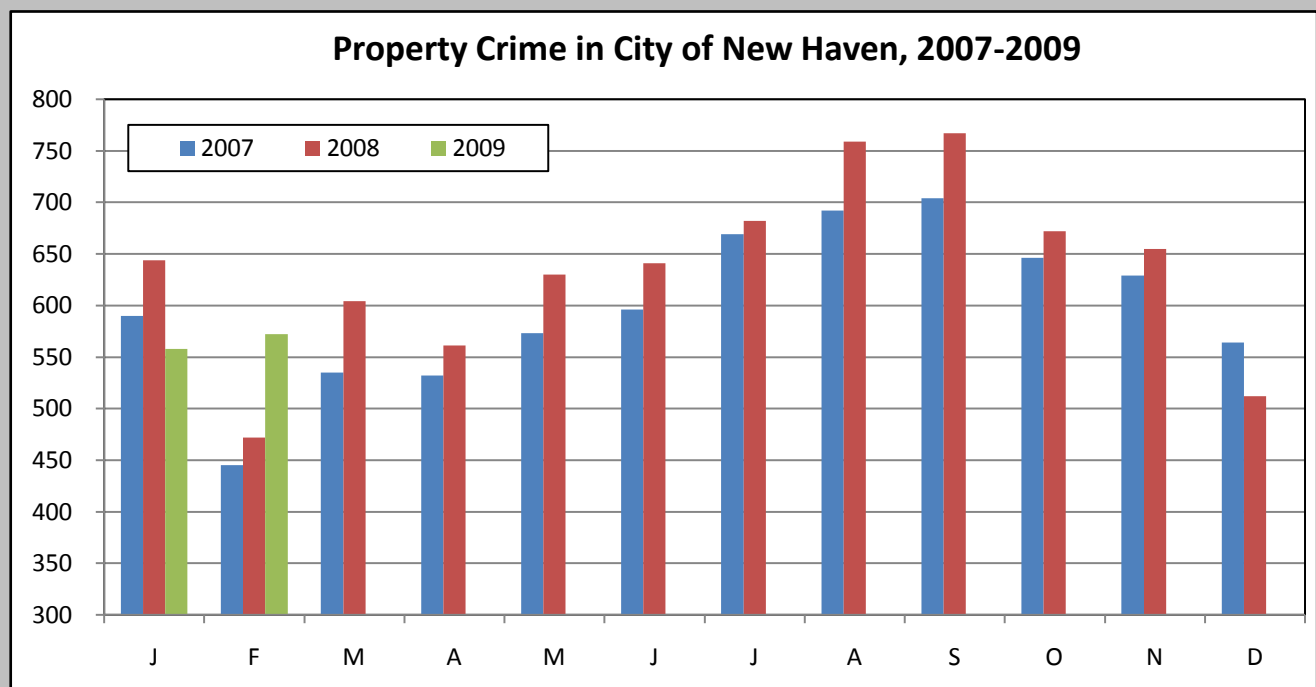


## Crime

+ Between 2007 and 2008, overall violent crime held steady, but property crime increased by 6%.\*

Source: NHPD

\*Data unaudited



DataHaven is supported by the Community Foundation for Greater New Haven, the United Way of Greater New Haven, the Annie E. Casey Foundation and the NewAlliance Foundation.