



CHANGES TO UTAH'S NONPROFIT ECONOMY

July 2009

The impact of the down economy on the nation's nonprofit sector is well established. Charitable organizations have seen donations decline and demand for services increase. They have tightened their belts, dipped into reserves, reduced staff, and eliminated programs. Some have merged with other organizations, and hundreds of organizations across the United States have been forced to shut their doors.

The Community Foundation of Utah is measuring the local impact of the recession on the nonprofit sector. In our first survey, conducted in February of 2009, the state's charitable organizations reported the following impact:

- 65% of nonprofits struggled to meet a dramatic increase in demand for their services.
- 48% saw a decrease in support from corporations and 38% received smaller gifts from foundations.
- 20% reduced the size of their staff.

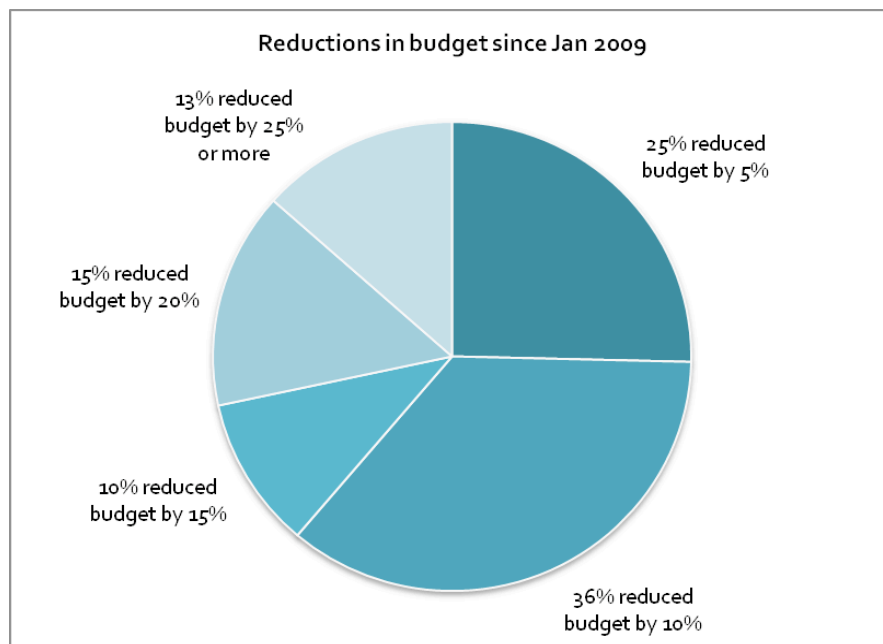
Our first survey also revealed the state's nonprofit organizations were pessimistic about the future. More than half of the charities did not think they would have the resources needed to meet the increasing demand for services. 70% thought that the next six months would bring increased hardship for their clients and their agencies. *They were right.*

In June 2009, the Community Foundation of Utah conducted a second study of 127 Utah nonprofits. Since the first survey four months ago, they have further cut their budgets, laid off more staff, reduced services, and experienced continued decreases in donations. To meet the growing need of our citizens, they have increased collaborations, created new efficiencies in service delivery models, and responded with new and innovative programs. Half the charities reported that they deepened their collaborations with similar nonprofits to reduce costs—and four agencies cut costs by merging with another. Despite having to make tough decisions for survival, nonprofits are feeling more optimistic about the future and their ability to weather the storm. They reported they think the worst may have passed.

Declining budgets, staff, and services—particularly for arts and rural agencies

At the beginning of the year, 15% of Utah’s nonprofits said they had already seen their budgets decline significantly—including nearly a quarter of arts organizations. By the second quarter of this year, 57% of Utah’s nonprofit agencies had made additional cuts to their 2009 budgets.

- Performing and visual arts organizations were most likely to have seen reductions. 82% cut their budgets—the majority by more than 15%.
- Rural nonprofits may face deeper cuts than those along the Wasatch front; 17% of rural agencies cut their budget by 25% or more, compared to only 4% of Wasatch front organizations.



Nonprofit organizations generally have three cost centers: staff, programs, and infrastructure. Our last survey found that more than half of the nonprofits had already found savings and efficiencies in their infrastructure and program costs. For most agencies infrastructure costs were already at a minimum and more than a third had previously retooled their programs and services. The final cost center left to cut was staff—and by the second quarter of 2009, staff reductions were dramatic and the most common way to manage declining revenues as the recession deepened:

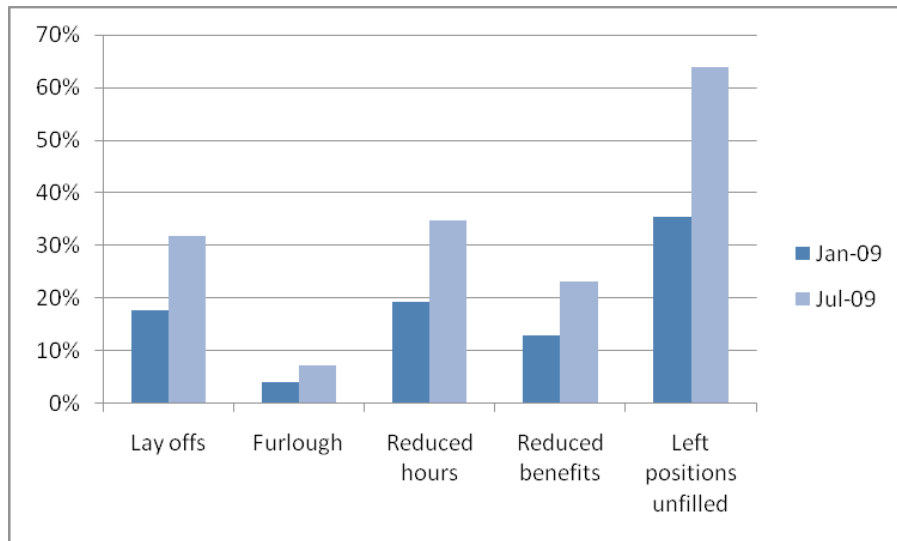
- 82% of nonprofits left positions unfilled,
- 32% instituted additional layoffs,
- 35% reduced hours,
- 23% reduced benefits,
- 7% required furloughs.

Arts organizations and agencies serving rural communities were the most likely to make cuts in staffing.

- 73% of arts organizations laid off staff.
- Rural charities were more likely to reduce the number of paid hours (55% compared to 32% for urban agencies).

Salary freezes and ending retirement matching programs were also common ways to cut costs. One rural agency now relies solely on volunteers.

Human service and arts organizations continue to locate efficiencies in their operations. More than two thirds put new constraints on infrastructure and program costs, in addition to the changes already made at the beginning of the year.



Innovations in service delivery and revenue generation

"Although ticket sales are higher revenues are not due to increased expenditures by vendors and for licensing."

Utah's nonprofits are responding to changing community needs and changing fortunes. It is not surprising that only 15% of agencies reported closing an existing program or service given the increased demand for services—particularly in the human services sector. Despite dwindling funds, more than half have created or are currently developing new programs and services to meet the changing needs of their constituency:

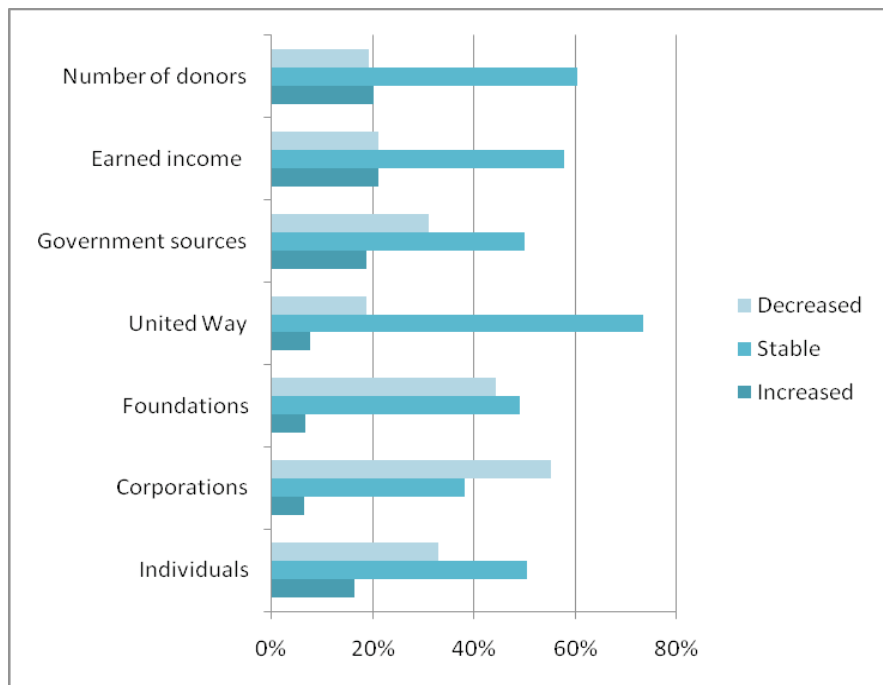
- 59% found efficiencies in the way they deliver their service and programs.
- 43% created new programs or services to respond to the changing environment.
- 45% established a new revenue generating or earned income activity to reduce dependence on donations. (This is especially important as 38% of reporting agencies said that ticket sales were significantly down since the start of the year.)

Demonstrating their ingenuity, 60% of education focused nonprofits have found new sources of earned income since the start of the year. However, efforts to increase revenue through earned income have been somewhat stymied by increased costs.

Continued decreases in revenue are somewhat softened by the stimulus package and an increase in individual giving—except in rural Utah

In the past two quarters, Utah’s nonprofits reported a median decrease of 13% in all sources of revenue. Sixteen of the 127 agencies reported budget decreases of over 25%.

Changes in revenue sources since January, 2009



A recent national study reported that 80% of charities reported fiscal stress and 51% nonprofits had revenue losses.¹ The study revealed losses in corporate giving for 44% of organizations, foundation giving for 42% of organizations, and individual giving for 53% of organizations. *Utah has seen an even deeper decline in corporate giving (55%) and grants from foundations (44%) since the start of the year.* The one bright spot is giving from individuals.

"We are seeing an increase in the number of small donations."

More Utahns make charitable contributions than any other state in the nation, with the majority of those gifts going to religious

¹ Listening Post study, "Impact of the 2007-09 Economic Recession on Nonprofit Organizations"

organizations. During this challenging time, Utahns have extended their individual giving far beyond a single institution. Our survey confirmed that *we are giving in greater numbers to a greater range of charitable organizations than ever before*. As in other parts of the country, individuals are continuing to be strong supporters of charities, especially to those that provide for basic human needs. Seventeen percent (17%) of these agencies reported a significant increase in gifts from individuals.

- The number of overall donors to charitable organizations is up nearly 20% since January.
- More than a third of arts, human service, and education organizations reported an increase in individual giving.

Rural organizations are an exception. While only 13% of urban agencies reported a decline in the overall number of donors, rural donors decreased by three quarters. The result? Rural nonprofits are more likely than their urban counterparts to report the following impact:

- 72% of rural agencies implemented cost efficiencies (compared to 55% of urban agencies),
- 21% ended a program completely (compared to 13 % of urban agencies),
- 11% merged with another organization (compared to 2% of urban agencies).

The United Way has provided agencies in the health and human services arena important stability—73% reported that United Way funding remained stable. This is crucial as almost all other funding (except individual contributions) is down. One nonprofit reported that bids at their auction was down: *"We've seen low bidding at our events."*

However, more than a quarter of the agencies surveyed have seen an increase in their total revenue since the beginning of the year. These agencies were more likely to be from the human services sector, where stimulus funds and the generous support of individual donors have had a real impact.

Despite these hardships, less than 1% of the nonprofit are seriously considering closing their operations.

Demand for services continue to climb

At the beginning of the year, demand for services was already skyrocketing. In March, two thirds reported significant increases in the number of individuals seeking assistance and care compared to 2008. This demand for service continued to grow as we entered 2009. More than half of the agencies reported a continued increase in demand since the start of the year.

*"We are overwhelmed with patients.
And we are running out of funds due to
reduced grant amounts."*

- 55% of all agencies reported a significant demand for the services they provide.
- 58% of the highest increases were in the health and human services organizations
- Demand for service increased most in rural Utah, where 65% of all agencies reported an increase in demand over the past two quarters.

Increasing optimism—except in rural Utah

Nonprofits are far more optimistic about their ability to keep their programs strong than at the beginning of the year. Fully half thought that they would not have the resources they needed to meet the demand in service earlier this year. Less than a quarter were optimistic about the agencies future. Now it has risen to nearly a third. Almost half reported that they will survive without any major changes.

It should be noted that more than 10% continue to report that they will face continuing deficits. Given the cuts agencies have already instituted, it is difficult to see how these organizations can be sustained far into the future.

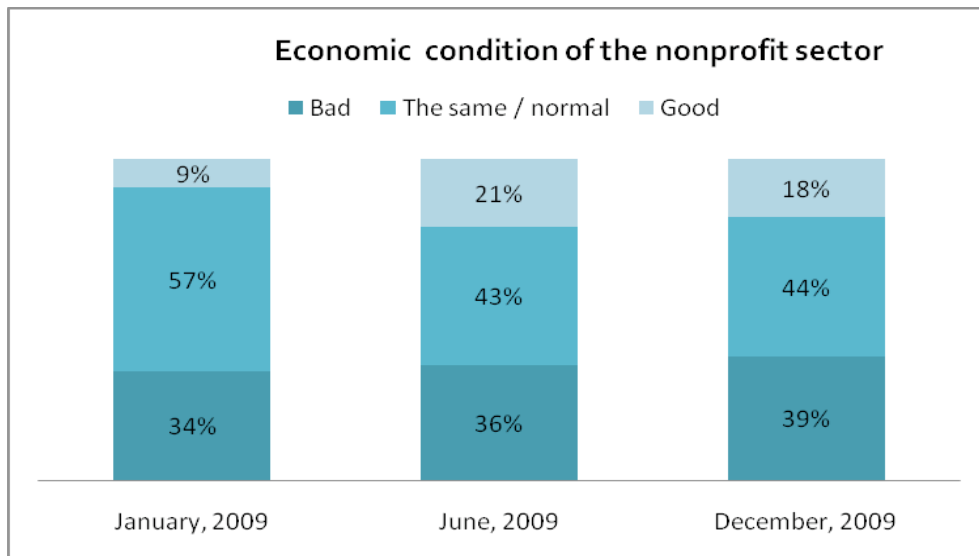
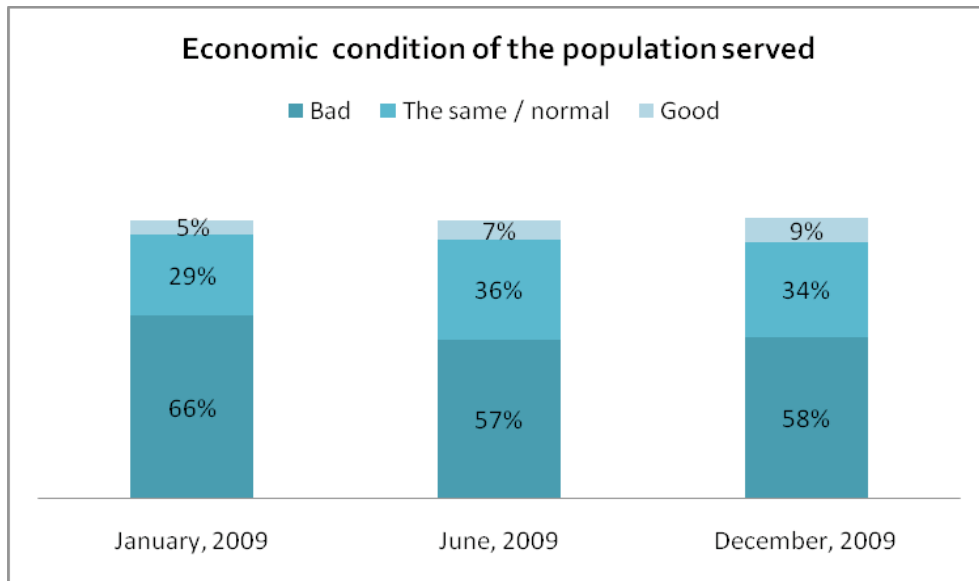
Anticipated for 2010	Winter 2009	Spring 2009	Change
The demand for our programs / services will increase and we will have the resources to meet the demand.	29%	48%	Improved by 19%
The demand for our programs / services will increase and we will not have the resources to meet the demand.	51%	35%	Improved by 16%
The demand for our programs / services will decrease and we will make the appropriate fiscal reductions to scale our operation to current demands.	9%	6%	Worse by 3%
We will be unable to reduce our expenses enough to avoid deficits in our operations next year.	11%	12%	Worse by 1%
I am optimistic about our future in spite of the economy.	23%	32%	Improved by 9%
I am concerned, but I expect my organization to weather the storm without major changes.	55%	49%	Improved by 6%
We will need to make cuts in programs and services but will survive .	17%	14%	Worse by 3%
I am concerned about our future as a non-profit.	4%	5%	Worse by 1%

Again, there is a stark difference between urban and rural agencies. While only 5% of all agencies say, "*I am concerned about our future as a non-profit*," 11% of rural agencies wonder if they will survive and fully half of rural agencies do not think they will have the resources needed to meet the growing demand in their communities.

Nonprofit confidence index

The Consumer Confidence Index is used to gauge national feelings about where the economy is headed and how it will impact their decisions. Our survey asked nonprofits to assess the economic conditions for their clients as well as their agency. Like the national trend, the outlook was grim at the beginning of the year, but we sense a slight turn to optimism for Utah's nonprofit sector.

Utah charities reported the economy is doing better for nonprofit sector than at the beginning of the year. They also reported thinking this will continue in this direction for the next six months. For the populations these agencies serve the outlook is less bright. Most see a continued downturn, with conditions continuing to be 'bad' for more than half of the population.



Summary

Health care, social services, the arts, education, the quality of our environment, and our lives are enhanced by the work of Utah's nonprofits. Utahns would be facing increased deprivation of their minds, bodies, and souls without the work and the support of thousands of individuals, the corporate sector, and the United Way and other foundations. As our nation's economy continues on a confusing, and at times distressing path, the public and private sectors of our economy must continue to support each other in order to meet our citizens' increasing reliance on the services provided by charitable organizations.

About the Community Foundation of Utah

The Community Foundation of Utah is a catalyst for philanthropy that is visionary, diverse, and inclusive. Our mission is *"to harness Utah's entrepreneurial spirit in service to the common good through smart philanthropy."* Our vision is to be a driving force in improving Utah's future by facilitating innovative approaches to social problems.

The Community Foundation of Utah is grateful for the continued participation of the nonprofit sector in this work. We hope that the results continue to draw public attention to the enormous value these organizations play in our civic life.

Additional reports are available from this study, and we will update it every quarter. For more information about the results of this study or the Community Foundation of Utah, please contact Fraser Nelson at (801) 559- 3005 or visit our web site at www.utahcf.org.