



The Silicon Valley Council of Nonprofits

Snapshot on the Economic Issues Facing Nonprofits

Fundraising Outlook for Fiscal Year 2009

Prepared in March 2009

"Nonprofits as all businesses are impacted by these economic times. Nonprofits are facing their own financial downturn, cash flow issues and are under immense pressure to stay afloat in these dire economic conditions. Demand for services is rising and the supply to fund services is scarce."

Patricia Gardner, Executive Director Silicon Valley Council of Nonprofits

Introduction:

The Silicon Valley Council of Nonprofits (SVCN) conducted a survey on the economic issues facing nonprofits in December of 2008 and again in January of 2009. SVCN wanted to learn more about the economic issues facing our nonprofits and get a pulse on giving trends during our current economic recession.

Our survey focused on the SVCN local health and human services agencies in Silicon Valley, which represent a broad cross section of the health and human service sector in Santa Clara County. Nonprofits are facing their own economic downturn and are under immense pressure to stay afloat in these dire economic times. The following information was derived from our survey.

Survey highlights:

- ❖ **Nonprofits are increasingly concerned about massive cutbacks from traditional government funding sources and the reduced level of services to those in living in poverty.**
- ❖ **There is increased client need over last year.**
- ❖ **A serious concern about layoffs and staff downsizing in the nonprofit sector is prevalent.**
- ❖ **The overall number of individual donors has increased over last year.**
- ❖ **Corporate giving is drastically down from last year and is expected to continue downward well into next year due to the downsizing of many of our local corporations.**
- ❖ **Increased foundation giving seems to have had the greatest impact on emergency assistance such as food, clothing, and housing assistance agencies.**

"Nonprofit leaders – at the board and staff level – need to engage as if this is a very real crisis because it is. There is power in the information and advocacy that a vital network like SVCN provides. This is the time to work together not to put our heads in the sand." Jeanne Bell, CEO, CompassPoint Nonprofit Services

We first conducted this study in December 2008, finding that 52% of our agencies were uncertain about their donor campaigns. We repeated the survey in February 2009. At that time, we had a 49.5% response rate from the SVCN membership. We also held a focus group discussion to verify and corroborate the data for accuracy and additional information. SVCN feels this data is sufficient in predicting giving trends as outlined in this report.

Individual Giving Trend:

Eighty-three percent (83%) of nonprofit agencies performed a holiday/end of year fundraising campaign focused on individual giving and 51% of the nonprofits reported overall stability or increases in giving from individuals.

The individual giving area is a mixed bag. The trend we saw was that agencies received an increase in the total number of individuals giving rather than individuals giving more than last year. Agencies reported receiving donations from lapsed donors, some new donors, but for the most part individual giving from past donors was stable or less than last year. The Open Arms campaign which was led by *United Way Silicon Valley* along with many local funders including *The Packard Foundation, The Health Trust, FIRST 5*, the *Silicon Valley Community Foundation* and others did a terrific job of shining a light on the need for individuals to step up and give more this year and may have played a significant role in getting individuals to give during the holiday season. (For more information about this campaign, please visit <http://www.211scc.org/openarms.html>)

Other Individual Giving Trends include: people are donating but in lesser amounts (often substantially less), bigger donors who gave *preferred* stock last year are giving smaller donations this year. People are giving less but wanting to volunteer and many are also job seekers. The agencies that reported raising revenues about the same as last year, shared that "it took much more effort to keep stable donations." However, in some cases, donors did increase their donations in response to the need.

Carole Leigh Hutton, CEO of United Way Silicon Valley and chair of the Open Arm Campaign states *"The Open Arms Campaign and other efforts to draw attention to critical needs helped attract individual donors this year. This can have a positive long range impact as these donors build deeper relationships with nonprofits in our community and continue to give in the future"*.

Individual giving survey findings

- **51% of nonprofits report that individual giving is stable or has slightly increased over last year through more individuals giving.**
- **23% of nonprofits report that individual giving has decreased more than 20% over last year.**
- **The Open Arms Campaign made an impact in shining the light on the need for individuals to step up and give to local nonprofits during the holiday season of giving.**

Corporate Giving Trends:

Overall corporate giving is down. According to a report conducted in 2007 by the *Silicon Valley Community Foundation : Corporate Philanthropy in Silicon Valley*, they saw two key factors: many of our local corporations with worldwide interests have been expanding from a local philanthropy to a global philanthropy and these corporations also predicted that there would be a 29% increase in corporate giving over 2005 levels. Yet, the economic recession of 2009 appears to have dramatically changed that prediction.

We are seeing an immediate downsizing in local corporate philanthropy. 39% of local nonprofits are experiencing a reduction in corporate support, with only 28% percent reporting stable over last year. Many of our agencies tell us it is too soon to know but the indicators all point to a reduction in corporate giving.

Though corporate funding is only in the 5-10% range of total nonprofit giving it is a big hit in corporate sponsorship of events and programs. Giving from high-tech companies will be significantly less in 2009 as layoff and downsizing within corporations continues. Some corporate foundations are not being funded at all for the next fiscal year and nonprofit corporate sponsorship for events will be more difficult to secure. Some companies that made multi-year funding pledges are now rethinking whether they can fulfill their entire commitment.

Randy Okamura, A.T. & T External Affairs states, *"Given the current economic environment, the level of philanthropic giving from high-tech companies reflects the challenges that we are all dealing with in 2009."*

Corporate donations highlights:

- **We are seeing an immediate downsizing in local corporate philanthropy.**
- **39% of nonprofits reported a decrease in corporate funding.**
- **Many of our local corporations with worldwide interests have been expanding from local philanthropy to global philanthropy.**

Foundation Giving Trends:

The Foundation Center reported *in 2008 that overall foundation giving rose 10 percent in 2007 and that assets of all active U.S. foundations were up 11.6 percent.* However, the economic recession has left all sectors impacted and foundation assets have decreased as all investment accounts have decreased. SVCN sees trends that foundations are narrowing their guidelines and/or geographic scope, reducing size of grants and/or restructuring staffing to adjust for fewer resources. Forty-seven percent (47%) of the nonprofit survey respondents stated that overall foundation giving is lower than last year. *The Chronicle of Philanthropy reported in December 2008 that large philanthropic foundations have scaled back as the stock market has eroded an average 30% of their endowments.*

Some local foundations have also reported a decrease in investment portfolios some as high as a 30% reduction in assets.

Diane Parnes, Executive Director of the Sobrato Family Foundation, says *"Many local foundations are currently reassessing their grantmaking budgets as well as operations in reaction to the precipitous decline in their endowments. Local nonprofits would be wise to anticipate flat or potentially decreased funding from existing funders and little or no funding from new sources at least through 2010."*

Only 37% of the agencies reported that foundation giving has increased or is stable and this giving seems to be primarily focused toward the emergency service agencies (ESA), that provide food and shelter. This foundation focused giving into one portion of our ESA sector was driven primarily by the *Silicon Valley Community Foundation* targeting donor appeals for our most vulnerable populations; raising well over \$4.4 million for ESA. This significantly skewed the increased giving total for those groups in December 2008. Other types of agencies that reported stable foundation funding are agencies with established and staffed development programs. For the health and human service agencies providing services such as mental health, drug and alcohol support, juvenile justice prevention, senior or youth services, the majority are expecting less revenue from foundations this year.

Emmett D. Carson, Ph.D., CEO and President of Silicon Valley Community Foundation reports *"Unfortunately, this crisis is far from over. While we are pleased that we have been able to send immediate relief into the community for food, shelter and foreclosure prevention counseling, it is going to take more than dollars for families and communities to navigate this challenging economic environment. In the coming months, we must all work together to advocate for new policies that will ensure help for the most vulnerable in our communities."*

Foundation donations highlights:

- **Forty-seven percent (47%) report that overall foundation giving is lower than last year.**
- **Increased or stable foundation giving seems to be primarily focused toward the emergency service agencies (ESA) or those with well established development departments.**
- **We are predicting ongoing reductions from foundations due to a decrease in investment portfolios which some foundations are reporting as a 30% reduction in assets.**

Overall Trends:

SVCN is concerned about the trends and the major uncertainties facing nonprofit needs. The survey along with other studies tells us there is a tendency toward increasing layoffs and staff reductions in our sector. The SVCN survey shows that 51% of our agencies are planning layoffs or staff reductions in the next 12 months. This will result in a greater need for training nonprofit executives and for board members to understand the legal requirements and ramifications for downsizing as well as how to create a positive work environment. We are shocked to report that only 7% of our agencies see themselves as financially strong.

At the same time as resources diminish the client need for services is explosive and unprecedented, particularly with low income populations and those that are uninsured. Both of these target client populations are at greater risk for losing services.

Naomi Nakano Matsumoto, Executive Director of West Valley Community Services reports that, *"seniors are increasingly applying for rental assistance and food at the end of each month. The increase in medical and prescription costs or diminished retirement accounts are a major economic factor for seniors in need emergency assistance aid. We are also seeing a dramatic increase of homeless seniors."*

These seniors are not directly impacted by layoffs, therefore the economic impact of working adult layoffs has not yet trickled down to the emergency aid level.

Jenny Niklaus CEO of EHC Lifebuilders reports that: *"families and working adults facing tough economic times will turn more and more to nonprofits for housing, supportive services, and basic aid as their resources dwindle and the unemployment rate rises over the next 12 months."*

Michael Pritchard, Executive Director of Pathway Society is *"disturbed about government cuts in substance abuse and mental health services, which will in turn result in increased cost shifting in other areas like institutionalized care services such the jails, homelessness, law enforcement, emergency rooms, crime, etc."*

As with all businesses, nonprofits are faced with an economic condition which results in greater community need at a time of diminishing resources.

Overall Trends impacting the nonprofit sector:

- **A total of 51 % of agencies anticipate layoffs or the reduction of staffing in the near future.**
- **64% of nonprofits fear that government funding will be significantly decreased and impact services to low income clients while client need is drastically up 20% over previous years.**
- **Only 7% of nonprofits report they are financially strong and are experiencing no impact from the recession.**
- **Government cuts in mental health, alcohol, and drug services, which will in turn result in the increased costs in other areas like institutionalized care services such as the jails, homelessness, emergency rooms, violence, etc.**

"Unfortunately, the issue of how chronically under-capitalized many of our safety-net service providers have been for a long time is now coming suddenly and dramatically into focus. The miniscule margins on which many of them have operated for years just aren't there amidst these government and foundation budget cuts." Jeanne Bell CEO CompassPoint Services.

Methodology:

The results of this survey are an average from the original survey dispersed in December 2008 and the follow-up survey conducted in January of 2009. SVCN had a 49.5% response rate from our network of 200 plus agencies. The above figures are the findings from our survey. (This survey has a factor of $\pm 3\%$)

List of Reporting Agencies

Asian Americans for Community Involvement (AACI)
Asian American Recovery Services (AARS)
AchieveKids
ACT for Mental Health, Inc
Addison-Penzak Jewish Community Center of Silicon Valley
Almaden Valley Counseling Service
Alum Rock Counseling Center, Inc.
American Leadership Forum - Silicon Valley
American Red Cross Silicon Valley
American Red Cross, Palo Alto Chapter
ARH Recovery Homes, Inc.
Arts Council Silicon Valley
Asian Americans for Community Involvement
Asian Law Alliance
Bill Wilson Center
Boys & Girls Clubs of Silicon Valley
Breathe CA
California Community Partners for Youth (CCPY)
Catholic Charities of Santa Clara County
CDI/Choices for children
Center for Excellence in Nonprofits
Children Health Council Organization
Children's Discovery Museum of San Jose
Children's Musical Theater San Jose
Choices for Children
City Year San Jose/Silicon Valley
Community Health Awareness Council (CHAC)
Community Services Agency of Mountain View and Los Altos
Community Solutions
Community Technology Alliance
Eastern European Service Agency
EMQ Families First
Ethiopian Community Services, Inc.
Family & Children Services
Family Supportive Housing
Fresh Lifelines for Youth (FLY)
Gardner Family Health Network
Girl Scouts of Northern California
Grail Family Services
Heart of the Valley, Services for Seniors, Inc.
Housing for Independent People
Housing Trust of Santa Clara County
Indian Health Center of Santa Clara Valley
InnVision the Way home
Jewish Family Services of Silicon Valley
Junior Achievement of Silicon Valley and Monterey Bay
Korean American Community Services
Law Foundation
Lytton Garden Senior Communities
Mexican American Community Services Agency (MACSA)
Momentum for Mental Health
NAMI Santa Clara County
Next Door Solutions to Domestic Violence
O'Neill Sea Odyssey
Opportunity Fund
OUR CITY FOREST
Parents Helping Parents
Pathway Society, Inc.
Pathways Hospice Foundation
Planned Parenthood Mar Monte
Portuguese Organization for Social Services and Opportunities (POSSO)
Pro Bono Project Silicon Valley
RAFT - Resource Area for Teaching
Rebekah Children's Services
Rebuilding Together Silicon Valley
Respite and Research for Alzheimer's Disease
Sacred Heart Community Service
San Jose Conservation Corps & Charter School
San Jose Repertory Theatre
Second Harvest Food Bank of Santa Clara and San Mateo Counties
Self-Help for the Elderly
Sensory Access Foundation
Silicon Valley FACES
SJB Child Development Centers
Somali Community Services
South Bay Children's Medical Center
St. Joseph's Family Center
St. Paul's UMC Creative Arts Program for Youth
SUNNYVALE COMMUNITY SERVICES
Support Network
Teen and Family Counseling Center
The Health Trust
The Latina Coalition
The Role Model Program
United Way Silicon Valley
Unity Care Group, Inc.
Vietnamese Voluntary Foundation (VIVO)
West Valley Community Services
YMCA of Silicon Valley
YWCA of Silicon Valley