

Nonprofits Extend a Hand to Foundations

By Tim Delaney

Given reports that foundation assets have plummeted by 30 percent in just a few months, nonprofits recognize that our valued foundation allies are encountering difficult challenges. To extend foundations a friendly hand so they don't feel alone, this article identifies escalating challenges that nonprofits face, shares action steps that nonprofits are taking to cope with this wicked economy and offers ways foundations can partner with nonprofits during this ever-growing economic crisis.

CHALLENGES THAT THREATEN NONPROFITS

Nonprofits face three sets of grave—and escalating—challenges.

First, the economy rapidly is erasing resources for nonprofits. With foundation assets evaporating, governments slashing nonprofit grants and contracts, corporate profits tumbling, and individuals suffering financially, the amount of money going to nonprofits has nosedived.

At the same time, demands for nonprofit services are skyrocketing. With more people losing their jobs due to layoffs, losing their homes due to foreclosures, and losing all or a portion of their health insurance due to employers cutting jobs and benefits, more people are turning to nonprofits for help to meet their basic needs of food, shelter and health care.¹

As if those factors were not bad enough, there is an oft-ignored yet significant third negative factor: increased com-



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petition from the public sector for donations. In October, for instance, the University of Texas at Austin launched a \$3 billion capital campaign. The previous month, the University of California at Berkeley opened a \$3 billion capital campaign. When huge institutions start such mammoth campaigns, they hire more than a hundred additional development officers who grab every coin they can find. Yet, America's small and midsize nonprofits—those with incomes less than \$1 million (which, by the way, make up 93 percent of the entire sector²)—cannot afford to hire even one full-time development officer each, let alone more than a hundred. Simply put, community-based nonprofits are at an extreme

disadvantage because we cannot compete with the fundraising machines of larger institutions.

Any one of these challenges can capsize individual nonprofits; the convergence of all three—suddenly increased demands, abruptly reduced resources and sharply increased competition—threatens the survival of many nonprofits.

WHAT NONPROFITS ARE DOING TO COPE

These challenges are daunting; yet, small and midsize nonprofits once again have, with grit and determination, lowered their shoulders to push even harder to meet the profound needs in their local communities.

To give them general support and specific tools, the National Council of Nonprofits created a special

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“Nonprofit Economic Vitality Center” on our web site, www.councilofnonprofits.org/economy. The four sections of the constantly expanding Economic Vitality Center focus on the following topics:

- > Basic information about the economy and nonprofits so policymakers, journalists and the general public have a better understanding about what is happening;
- > How the miserable economy is hurting different nonprofit subsectors (e.g., arts & humanities and human services) and harming nonprofits in different regions of the country;
- > Successful strategies, proven programs and other tools for nonprofits to consider; and,
- > Innovative funders that courageously are stepping forward to help in this time of dire need.

Despite the purest intentions and the strongest dedication, community nonprofits cannot continue to do so much more with so much less for very much longer. Dr. Paul Light, the noted public service expert, forecasts that the menacing economy will wipe out 100,000 nonprofits within the next two years.³

When these nonprofits crumple, they will leave gaping holes in their local communities, both in terms of vital services no longer provided and lost jobs.⁴ Indeed, that already is happening across the country as nonprofits respond to loss of donations and abrupt cuts in government contracts. To cite just a few examples, the Urban League of Boston and the Center for Teen Empowerment reduced services after each lost more than \$500,000 when Massachusetts took emergency action to cut its budget; the Chicago-area Meadows Community Services shut down after 20 years of serving low income populations when it could not raise enough funds; and the American Lung Association, Focus on the Family, National Domestic Violence Hotline, and Susan B. Komen for the Cure (to name only a few) were forced to lay off employees.⁵

FOUNDATIONS CAN SUPPLY TOOLS FOR CLEARER VISION

To help ease the pain, foundations can partner with nonprofits by helping with three tools that provide clearer

vision: a crystal ball, safety goggles and a microscope.

A. Crystal Ball: Helping Nonprofits Look into the Future

Governments, corporations and foundations failed to see this sudden and sweeping economic collapse brewing, so individual nonprofits cannot be blamed for failing to anticipate what happened. And now, with nonprofits' attention devoted to meeting immediate community needs, they lack time and resources to look at the big picture to see what's going to hit them in the near future. Yet, nonprofits and the communities they serve need a crystal ball to be able to see more clearly into the future.

Foundations can help nonprofits position themselves better for what's coming by:

- > *Developing information quickly about how the economy will look in the next 1–5 years.* Corporations, governments and the media all seem so stunned by what snuck up on them that they only can stare at what just happened rather than peer ahead. If foundations could help pull together some economic forecasts, that information would enable nonprofits to break out of the mind-set of “how do we survive one more day” and prepare proactively to take appropriate action.
- > *Convening nonprofits to engage in meaningful dialogues on mutual strategies for coping.* Foundations can help convene and/or underwrite meetings that provide a safe space for people to share ideas and build collaborative networks. For example, the Oklahoma Center for Nonprofits held two special statewide gatherings that allowed nonprofits to comprehend better what has been happening economically, hear reflections of colleagues who had weathered bad times and exchange strategies for coping.⁶

 **Nonprofit Economic Vitality Center** 
A Resource Center for Nonprofits Coping with the Economy

This free website is updated daily as new information becomes available, so if you have something to contribute to help the nonprofit sector, please submit that information for posting at www.councilofnonprofits.org/economy.

B. Safety Goggles: Look at Leveraging Foundation Dollars

This is a time for action. Foundations can stretch their dollars safely by plugging in these power tools:

> *Partnering with—and funding—infrastructure groups.* Foundations obviously see the value of infrastructure groups, given the wide range of such groups for philanthropy alone. Nonprofits also need such infrastructure groups, which can spread information and resources broadly and efficiently. Plus, research shows, nonprofit infrastructure groups play an irreplaceable role in helping nonprofits in the public policy arena.⁷

> *Expediting grant payments and communicating bad news about funding ASAP.* It will help if foundations can expedite payments in these times when the “cash flow” for many nonprofits is tantamount to “cash drip.” And if foundations have bad news to deliver to a nonprofit—whether it is that the normal grant will be discontinued, or be smaller, or even if those decisions are tentative—they should say so as soon as possible so the nonprofits can adjust immediately.

By working together—as funding providers and service providers—foundations and nonprofits can perform our shared missions better and help meet our communities’ urgent needs created by this wicked economy. ■

Tim Delaney is president & CEO of the National Council of Nonprofits, the network of state and regional nonprofit associations serving more than 20,000 member organizations. By linking

local nonprofit organizations across the nation through state associations, the National Council helps small and midsize nonprofits manage and lead more effectively, collaborate and exchange solutions, engage in critical policy issues affecting the sector, and achieve greater impact in their communities.

Challenging times force us all to reexamine how we have done things. As nonprofits focus internally at downsizing options, foundations also can look internally to see how streamlining their own operations might help their nonprofit grantees.

> *Allowing grantees to engage in advocacy work.* Now more than ever, the voices of the people need to be heard through nonprofits. Foundations need to instruct their attorneys to review their grant language and work with informed nonprofits to eliminate any suggestion that funds cannot be spent on public policy activities.⁸

C. Microscope: Focus on Refining Foundation Processes

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> *Shifting from project/program funding to general operating support and simplifying application and reporting requirements.* The more foundations require nonprofits to go through extensive application processes, jump through different hoops and fill out additional paperwork, the more time and resources get diverted from delivering services to the community.

NOTES

1. For example, 71 percent of Michigan nonprofits recently reported increased demands for their core services. See: <http://www.mnaonline.org/pdf/EconomicDownturn.pdf>.
2. National Center for Charitable Statistics, Table: Registered Nonprofit Organizations by Level of Total Revenue, (Washington, D.C.: The Urban Institute, 2008), http://nccsdataweb.urban.org/tablewiz/tw_bmf.php.
3. Julia Hengst, “Nonprofits Brace for Economic Slump,” Newsdesk.org (Nov. 27, 2008), <http://www.newsdesk.org/archives/005763.html>.
4. Policymakers and journalists alike seem to be unaware that America’s nonprofit sector is so massive that if it were a country, it would be the seventh largest economy in the world, according to GDP data compiled by the World Bank. SOURCE: World Bank, “World Development Indicators Database,” July 1, 2007,

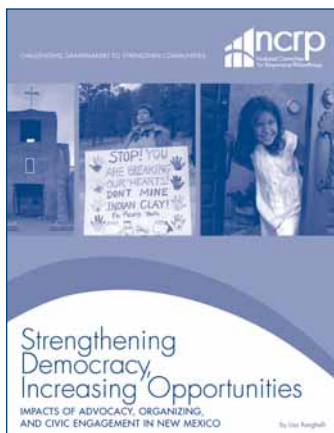
<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>. Indeed, the nonprofit sector comprises more than 10 percent of America's workforce, which is larger than the combined workforces of the construction, utility and wholesale trade industries. SOURCE: Lester M. Salamon and S. Wojciech Sokolowski, *Employment in America's Charities: A Profile* (Baltimore: John Hopkins Center for Civil Society Studies, Dec. 2006), p. 3, <http://www.jhu.edu/ccss/research/pdf/Employment%20in%20Americas%20Charities.pdf>. Moreover, the nonprofit sector contributes almost \$322 billion in wages to the American economy. Id.

5. See, e.g., Laura Crimaldi, "Nonprofits feel pinch as aid is slashed," *Boston Herald*, Nov. 30, 2008, http://news.bostonherald.com/news/regional/view/2008_11_30_Nonprofits_feel_pinch_as_aid_is_slashed:_Cuts_hit_neediest_hardest/srv=home&position=also; Colleen Thomas, "Money crunch hurting nonprofits as need soars," *Chicago Daily Herald*, Nov. 7, 2008, <http://www.dailyherald.com/story/?id=248377>; Mark Hrywna, "Layoffs Hitting Nonprofits Despite Needs Increase," *The NonProfit Times*, Nov. 24, 2008, <http://www.nptimes.com/08Nov/news081124-1.html>.
6. National Council of Nonprofits: <http://www.councilofnonprofits.org/files/Program%20Idea%20-%20Provide%20Understanding%20Oklahoma.pdf>.
7. See, e.g., Lester Salamon and Stephanie Lessans Geller, "Nonprofit America: A Force for Democracy?" Listening Post Communiqué No. 9

(Baltimore, M.D.: Johns Hopkins University, 2008), http://www.jhu.edu/listeningpost/news/pdf/advocacy_communique9.pdf, p. 12: "What seems to be drawing [nonprofit] organizations into policy advocacy is less an abstract commitment to civic engagement than concrete concerns about the impact of public policy on the fiscal health of the organizations and their ability to serve their clientele. ... [L]imited resources and staff time seriously restrict the depth of involvement in policy work that is possible. To help compensate for these limitations, nonprofit organizations have followed the lead of the business sector in vesting important advocacy functions in specialized advocacy coalitions or field-specific intermediary associations. These coalitions and associations now perform important functions in mobilizing, informing, and channeling nonprofit advocacy and lobbying."

8. "Many foundations take at best a 'hands-off' posture, and at times an actively negative one, toward policy involvement and civic engagement. This puts an unnecessary damper on what should be a major function of the nation's nonprofit institutions – giving voice to the voiceless and raising unaddressed issues to national policy attention. ... Foundations need to re-think their hands-off position toward nonprofit advocacy and increase their financial support for this important function. ... As government policy has become increasingly central to the fiscal health of the sector and to the well-being of the people the sector is serving, foundations need to recognize the important role they must play in helping organizations participate in shaping this policy." Id.

Strengthening Democracy, Increasing Opportunities Impacts of Advocacy, Organizing and Civic Engagement



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