

Bene Briefing

Summer 2009

This is the first in a series of occasional briefings from your friends at Benefactor Group. Earlier this year, we conducted one-on-one interviews with colleagues at 20 nonprofit organizations, representing a wide range of budget sizes and disciplines. In addition, we held informal meetings with a variety of colleagues and friends intimately involved with charitable organizations.

Not surprisingly, the primary topic of these conversations has been the uncertain economy and its effect on organizations and on philanthropy in general.

Here are the highlights.

1. On the whole organizations are not cutting back their programming; they are finding creative ways to decrease program expenses and/or increase program-related revenue.

Seventy-four percent of respondents have not and don't expect to cut programs, yet 23% have already reduced budgets for their programs and 51% expect to reduce program budgets in the next six months. A quarter of respondents are altering their programming to lower costs and 47% expect to do so in the next six months.

"The economy is forcing us to be leaner. We've eliminated positions by consolidating tasks. We've decreased hours at one of our locations."

"We have decreased marketing expenses and cut back on travel but not staff, benefits, or programs." □

"I am looking for more collaborative opportunities with like organizations that could strengthen our position for funding."

"We are cooking along with donor services. Program staff is more engaged with donors and one member of the advancement staff is assigned to raise funds for strategic initiatives."

"We are now using our unrestricted monies for initiatives, which donors are excited by. This is a good way to reach out and demonstrate our priorities."

"I want to explore social entrepreneurship to see if anything we do could become a product or service to others."

2. Investment in staffing, marketing, and development is holding fairly steady.

Just over a quarter of respondents has reduced staff size or hours to lower costs; the majority hasn't and doesn't expect to at this time. Organizations are continuing to invest in fundraising and marketing but many are implementing different strategies to maximize the impact of those efforts.

*Serving those who serve the common good.**

"We are spending fewer dollars on events and making more e-connections with our donors, prospects, and community members."

"We are intentionally having more interactions with donors at small intimate events hosted by board members."

"Our budget is down 30%, so we are primarily limiting ways we reach out to donors—no out-of-state travel, dropped club memberships, events are in homes rather than outside venues."

3. Development professionals are turning the uncertain economy into an opportunity to reach out to their constituents.

Today's messages to constituents emphasize aspects of stewardship—such as the stability and transparency of the organization, its successes and results, and the contributors who have made it all possible. Rather than asking for current gifts at this time, many are spending their time on communications and building relationships.

"This is the time to get people heavily involved with cultivation and stewardship. They may not be able to give at the level they have given in the past but we hope when the recession eases, our current efforts in communicating with them will bolster their confidence in giving at prior levels or more."

"Focus on gifts from individuals and expect corporations to cut back."

"Transparency is critically important. We developed a communications plan for each sector of our constituency. We tell them what we know when we know it, even if we don't have the answers. I think they appreciate our candor."

"Today's messages emphasize aspects of stewardship: strong organization, fundamentals are in place, we keep our promises, and report on successes."

"We are not asking for gifts at this time but rather calling people to keep them in the know about [the organization]."

"Now is the time to streamline the messages. Talk about results."

4. Board and staff members are changing their outlooks and behaviors.

The fluctuations in the market and the recession have focused the work of board and staff members. For some, the fluctuations are stark reminders of the board's responsibility for the financial stability of the organization. For others, they are catalysts for clear and transparent communications with constituents and with staff and board members.

"The economy has given us urgency. We can't take anything for granted, so we have become more active and activist."

"The board has become more accountable. [It] recognizes that the long-term stability of the organization is dependent on resource development and revenue from a variety of sources."

"I am in constant conversation with all of my staff, explaining the good and the bad. I am very honest with them about what I'm trying to do to save jobs. I have found that being very open has eliminated some of the hand-wringing."

"The staff is becoming more articulate and taking greater ownership of the entire organization."

"This year, we are actively promoting bequests and charitable gift annuities—in conversations, in newsletters, on the website."

5. Donors have reacted to the economy and the market fluctuations by becoming more cautious and also more proactive.

More than ever, donors are selecting their philanthropic contributions based on their values and their priorities. Some donors need time to evaluate their new financial reality in light of the work of nonprofit organizations that are the most important to them.

"Donors want to put their money where it can make the most difference. They are very focused now."

"Donors are more conservative. They are giving more multi-year gifts and are less interested in new projects. Instead, they're focused on sustaining their giving to organizations they know well and value."

"Many of our large donors are people who used leveraged capital to generate their wealth. These folks are suffering emotional trauma. They are paralyzed, mourning the loss of financial security they used to have."

"Our prospective donors are attentive to estate-wise planning."

6. Endowment values were down at the end of 2008 compared with 2007.

One organization showed a 15% increase, primarily due to a few transformational gifts. All other organizations that have endowed funds saw decreases from five percent to 67%, with the average decline of 30%. In some cases, new gifts to the endowment nearly made up for investment declines.

"We brought in less money last year than in 2007. The fourth quarter (of 2008), when we usually get most of our gifts, was very slow."

"The investment returns were down 34-40%. The number of new funds established was down 50-60%."

"Our stellar investment advisors are positioning our investments to ride the stock market curve up. We are inviting CEOs and trustees of (other) nonprofit organizations to sit in our investment committee deliberations."

7. Although endowment values have been hit, spending policies remain steady.

Two organizations took no draw from their endowments in 2008 but the remainder stayed with their endowment spending policies, generally 5% of total return over a rolling

average from the prior 12 quarters. Fees average approximately 1%, leaving 4% for programs or grants. Several organizations reported that the board will likely discuss spending policy changes over the next 12 months, with equal numbers of respondents predicting that the draw will increase, stay the same, and decrease.

“Like other foundations, we expect that we will allocate fewer dollars in 2010 and 2011 based on the trailing 12 quarters.”

We find much to celebrate in the above opinions shared by our colleagues at local charities and national institutions across the county. They demonstrate the flexibility and creativity of the philanthropic sector. We hope their experiences and anecdotal evidence may inform and inspire your important work.

For further discussion of these findings and/or your organization’s best practices, please call any of us.

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