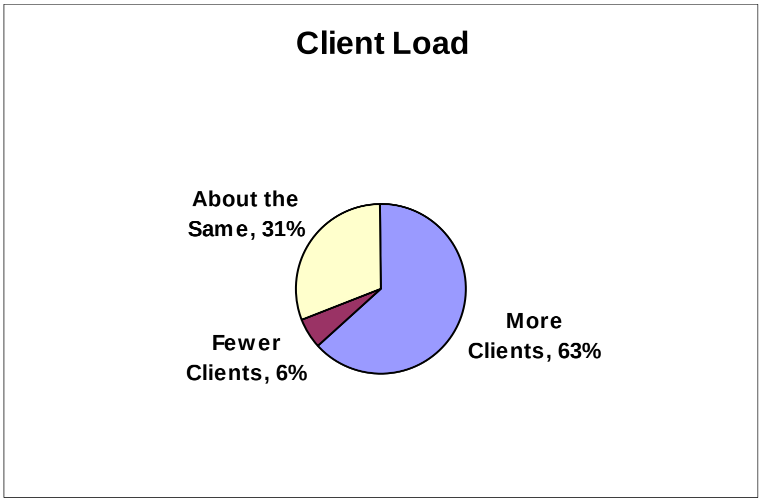
A sample of 85 agencies was identified to represent a range of services, impact areas, budget sizes, and geographic locations. A total of 72 telephone surveys were completed over the course of two weeks in mid-January for an 85% response rate. Almost all of the surveys were completed with the Executive Director of the agency. The survey asked about changes in clientele, budgeting issues in 2008 and 2009, and what the funding community can do to help agencies weather the economic downturn.

CLIENTELE

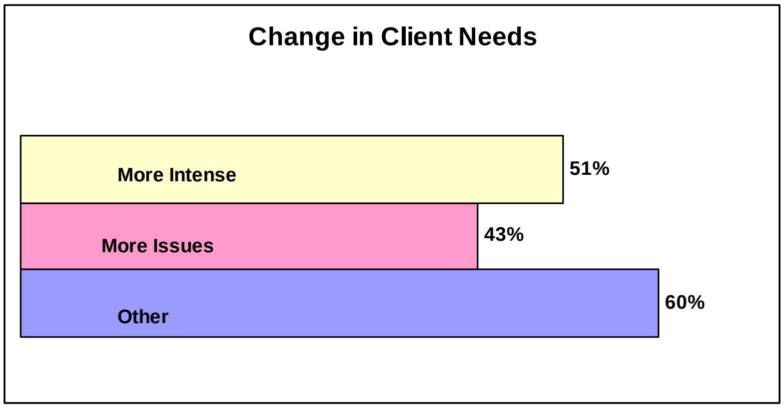
To begin the survey, agencies were asked several questions about their client load in the last three to six months—whether it has increased or decreased; whether there has been a change in types of need presented; and whether there has been a change in the kinds of people that are seeking services.

Number of Clients
As can be seen in the chart below, nearly two-thirds (63%) of the agencies responding to the survey indicated they have seen more clients in the last three to six months. Nearly one-third are seeing about the same number of clients. Only 6% are seeing fewer clients.

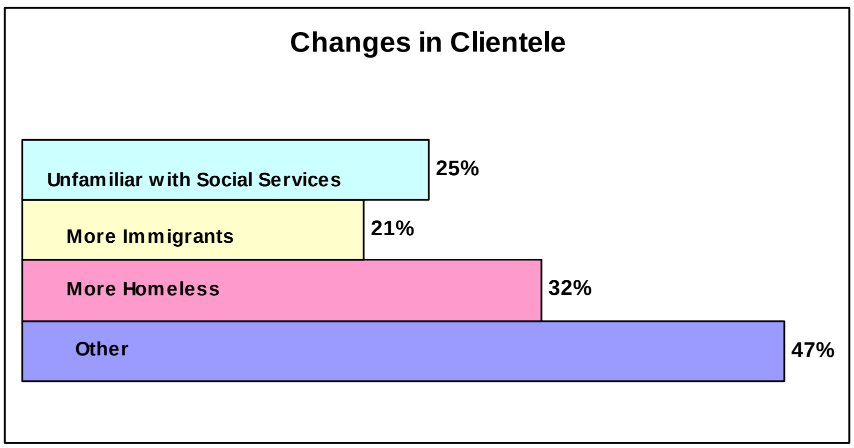


Agencies that are seeing more clients were asked how many more clients they are seeing. The average increase was 15.7%. Responses ranged from 1% more to 75% more.

Needs of Clients
Agencies were also asked whether they have seen any kind of change in client needs over the last 3 to 6 months. Fewer than 1 in 5 (18%) indicated no change in client needs. Those that have seen changes in client needs (82%) were asked whether the needs are more intense, whether clients are seeking help with a greater number of issues, and whether the needs have changed in some other way. As can be seen in the chart below, approximately half of the agencies surveyed (51%) indicated that client needs are more intense. More than 40% (43%) indicated that clients now need help with a greater number of issues, and 60% of the agencies indicated that client needs have changed in other ways. Some of the most common "other" issues mentioned include more clients dealing with unemployment and underemployment, more assistance being requested for basic needs, and more people homeless or at risk of losing their homes.



Type of Clients
Agencies were also asked whether there has been any kind of change in the type of clients that have sought their services in the last 3 to 6 months. One-quarter (25%) of the respondents indicated their client profile has not changed. Those that have seen changes in the types of people coming to them for service were asked whether they are seeing more homeless people, more immigrants, more people unfamiliar with the social service sector, or whether their client profile has changed in some other way. As can be seen in the following chart, nearly one-third (32%) of the agencies are seeing more homeless people; one-fifth (21%) are seeing more immigrants; and one-quarter (25%) are seeing more people unfamiliar with the social service sector.

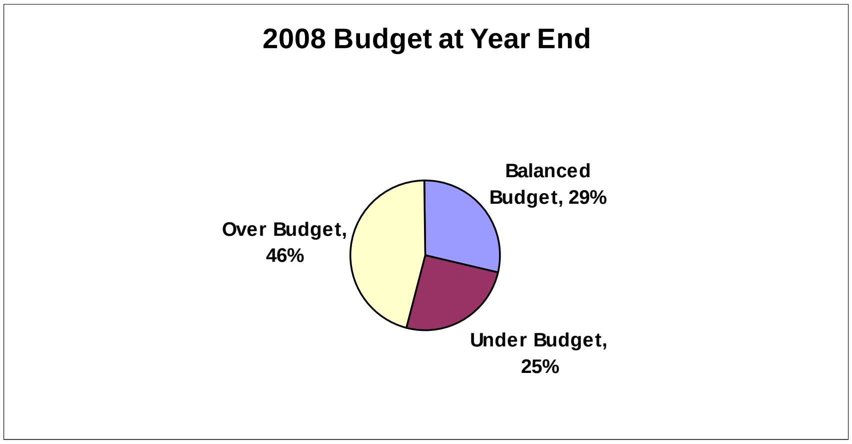


Nearly half (47%) of the agencies surveyed said their client base has changed in some other way in the last 3 to 6 months. Some of the most common changes in client profiles mentioned are an increase in unemployed clients; an increase in middle class (or formerly middle class) individuals; and an increase in the number of families coming to them for assistance.

BUDGET

Agencies were asked a series of questions about their budgets—both 2008 and 2009: How they closed out 2008, whether they lost revenue or anticipate losing revenue, and actions they may have taken or are considering in 2009 to balance their budgets.

2008 Budget
Agencies were first asked whether they ended 2008 with a balanced budget, over budget, or under budget. As can be seen in the chart below, nearly half of the agencies surveyed (46%) ended the year over budget (short revenue). One-quarter (25%) finished the year with under budget, and just over one-quarter (29%) ended the year with a balanced budget.

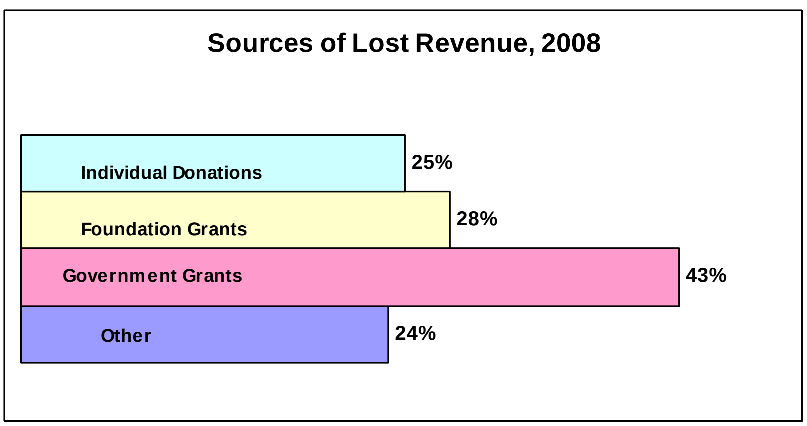


It should be noted that many of the agencies that indicated they ended the year over budget further indicated that they did balance their budget by cutting expenses. However, for purposes of this survey, they are included in the "over budget" category.

Agencies that indicated they ended the year over budget were asked by what percentage of their budget they were short. Responses ranged from less than 1% to 20%. The average budget shortfall was 5.8%.

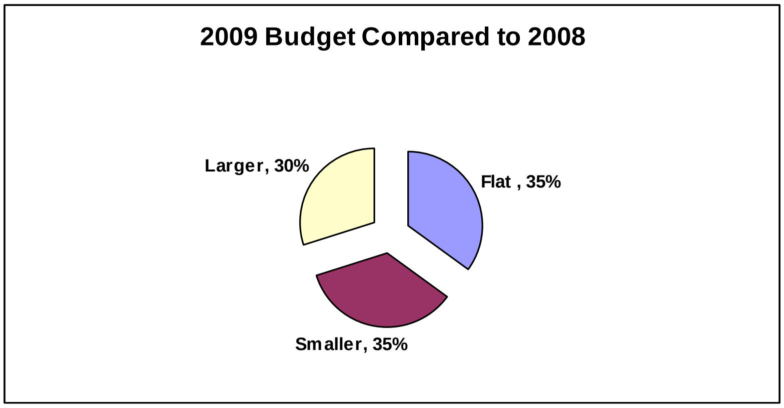
Agencies were next asked if they lost revenue in 2008. They were specifically asked whether they lost revenue from government grants, foundation grants, individual donations, or if some other income stream declined. A large majority—86%—indicated they lost revenue from at least one source. Approximately one-third (32%) lost revenue from more than one source. Only 14% of the agencies indicated they did not lose revenue in 2008.

As can be seen in the following chart, government grants were the most common cause of lost revenue (43%), followed by foundation grants (28%) and individual donations (25%). The "other" category most frequently mentioned a loss in revenue because of loss in investments, reduced income from endowments, loss of revenue from United Way, and less income from fees.



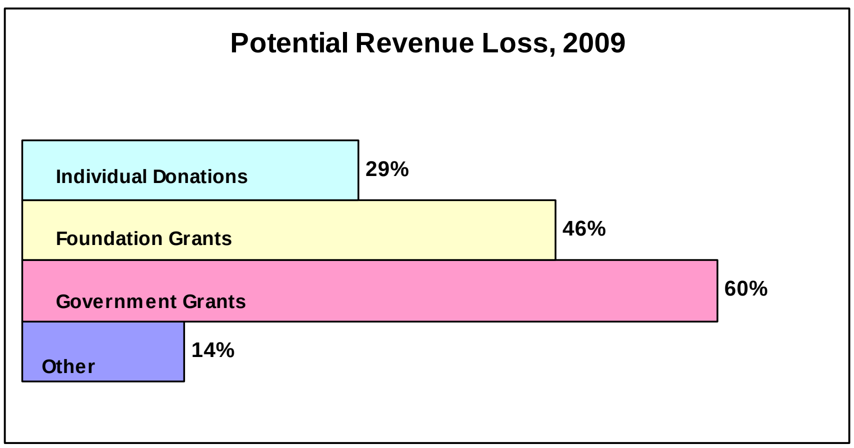
2009 Budget

Agencies were next asked a series of questions about their 2009 budget. First they were asked if their 2009 budget is smaller, larger, or flat compared to their 2008 budget. As can be seen in the chart below, just over one-third (35%) of the budgets for next year are flat; just over one third (35%) are smaller, and nearly one-third (30%) are larger compared to 2008.



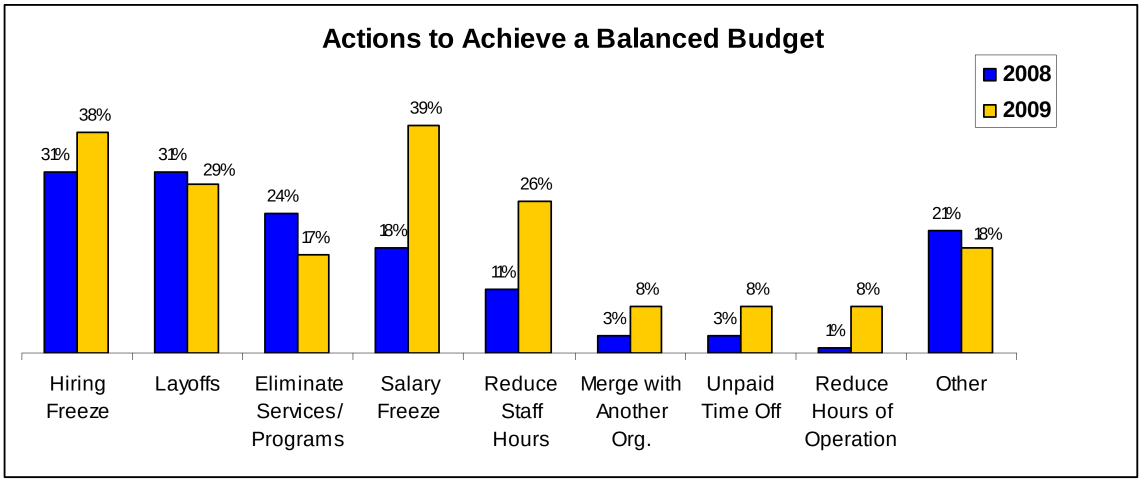
Agencies who indicated their 2009 budget is either larger or smaller than their 2008 budget were asked how much bigger/smaller their 2009 budget is. Agencies who have a smaller 2009 budget indicated it is an average of 9% smaller than their 2008 budget. (Responses ranged from 2% to 20% smaller.) Agencies who have a larger 2009 budget indicated it is an average of 11.7% larger than their 2008 budget. (Responses raged from less than 1% to 32%.)

Next, agencies were asked whether they anticipate losing revenue in 2009. They were specifically asked about government grants, foundation grants, and individual donations, as well as any other source. As can be seen in the following chart, agencies are particularly concerned that they will lose funding from government (60%) and foundations (46%) in 2009. Just over one-quarter (29%) anticipate losing money from individual donations in 2009, and 14% anticipate losing revenue from other sources (most commonly investment income and United Way funding).



Achieving a Balanced Budget

Agencies were asked whether they had taken specific actions (e.g., salary freeze, reduced hours) to achieve a balanced budget in 2008, and whether they were considering implementing any of these actions in 2009.



As can be seen above, in 2008, agencies most frequently implemented hiring freezes (31%) and layoffs (31%) to balance their budget. In addition, one-quarter eliminated some programs or services (24%) and nearly one-fifth implemented a salary freeze (18%). One-third of the agencies (32%) did not implement any strategies to balance their budget.

Looking ahead to 2009, the most common strategies that agencies are considering are hiring freezes (38%) and salary freezes (39%). More than one-quarter are also considering layoffs (29%) and reducing staff hours (26%). Just over one-quarter of the agencies (28%) are not considering implementing any strategies to balance their budget.

THE ROLE OF FUNDERS

At the conclusion of the survey, agencies were asked what they think United Way and the community's foundations should do to help nonprofits weather the economic downturn. The majority of responses fell into the following broad categories.

- Continue stable funding, increase funding when possible, and provide dollars for operating support.
- Advocacy/public policy/be a voice for the nonprofit sector.
- Public education regarding the value of the nonprofit sector.
- Assist with mergers/consolidations, restructuring, shared costs, and partnerships.
- Convene funders, nonprofits, business community.
- Be flexible with dollars.

By far, the most common suggestion was that United Way and local foundations should continue, as much as possible, to provide stable funding—particularly for operating support. (Several agencies also mentioned funding basic needs in particular, but almost every single agency that suggested increasing funding to basic needs provides services in the basic needs area.)

> *"Support existing nonprofits as long as work is being done well. Support operating expenses or existing programs. No 'flavor of the day.' "*

> *"At a minimum maintain current levels of funding and don't make drastic changes or requirements that put strains on 'back room support' staff, which is already skeletal. Streamline the grant process."*

> *"Be open to support general operating costs. Operating costs are going to be increasing or staying the same, when the needs are growing."*

Several agencies stressed the importance of advocacy and public policy work.

> *"Play an increasing advocacy role, being a voice for the nonprofit sector. United Way is uniquely positioned and can demand a platform to do so."*

> *"Fight to make sure government commitment remains intact. Advocate that the nonprofit tax exemption continue."*

> *"Advocacy and public policy work is very important: any awareness that we could raise concerning these issues (i.e., policy, big-picture issues) and leveraging more resources."*

On a related note, several agencies cited the importance of public awareness.

> *"Increase general public awareness of the nonprofit sector's needs."*

> *"Education about the needs. Go to the media and follow a family on medical assistance trying to get health care."*

Assistance with mergers, consolidations, restructuring, and other cost-sharing measures were also mentioned.

> *"United Way should lead the way by facilitating consolidation, mergers, and other shared-costs partnerships. United Way can help reinvent/restructure the nonprofit service delivery system."*

"Nonprofits need support in combining together to have more buying power for employee benefits (e.g., health insurance, life insurance) and technical support. It would be great if United Way could support these efforts in some way."

Several agencies mentioned United Way's value as a convener.

"United Way's largest benefit would be to bring the organizations together, looking to share knowledge capital. Bring the Executive Directors together to discuss ways of being smarter and doing things better."

"There needs to be more talking between foundations, United Way, and the nonprofit sector—more dialog, and more personal communication. Not business as usual, but rather—how do we do things differently?"

Finally, a number of agencies commented that it would be helpful if United Way and foundations are flexible—primarily with funding.

"Be sensitive to the needs of programs right now. Organizations may have to ask for increased flexibility. Allow reallocation of funding should a program be eliminated or reduced."

SUMMARY

The health and human services portion of the nonprofit sector is going through a difficult time. Most agencies are seeing more clients with more intense needs, and are struggling to serve them on flat or reduced budgets. A large majority of agencies lost revenue in 2008, and most expect to see revenue decline further in 2009. In particular, agencies are expecting a decline in government grants. Two-thirds of agencies implemented strategies to reduce expenses in 2008, and three-quarters anticipate doing so in 2009.

Agencies would like to see the funding community continue stable funding as much as possible, particularly for operating expenses; advocate at the state and be a voice for the nonprofit sector; and educate the public about the value and importance of nonprofits.